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CORNWALL COUNCIL

Cornwall Council
2010/11
Statement of Accounts

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Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Corporate Director, Resources.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Corporate Director for Resources responsibilities

The Corporate Director, Resources is responsible for preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Corporate Director, Resources has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code.

The Corporate Director, Resources has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Statement of Accounts

The Corporate Director, Resources declaration

This Statement of Accounts presents a true and fair view of the financial position of Cornwall Council on 31 March 2011 and of the income and expenditure for the year ended on that date and has been prepared in accordance with the Code.

Michael A Crich
Corporate Director, Resources, 30 June 2011

The Chairman of the Audit Committee's declaration

This Statement of Accounts was approved by the Audit Committee on 26 September 2011.

Cllr Eathorne-Gibbons
Chairman of the Audit Committee, 26 September 2011

Independent Auditor's Report

This section gives the results of our annual assessment of how well we are managing and controlling risks to achieve our aims and meet the responsibilities we have in law.

These accounts have been certified by the Corporate Director, Resources, but are currently subject to audit. The Independent Auditor's Report will be incorporated into the Statement of Accounts on completion of the audit in September 2011.

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Explanatory Foreword
from the Corporate Director for Resources

I am pleased to introduce our Statement of Accounts for 2010/11. This document provides a summary of Cornwall Council's financial affairs for the financial year 1 April 2010 to 31 March 2011 and of our financial position at 31 March 2011.

1. The Financial Statements

Our Statement of Accounts includes the following financial statements and disclosure notes:

- **Statement of Responsibilities** – this explains the different responsibilities relating to the Statement of Accounts and confirms their approval.
- **Independent Auditor's Report** – an independent report from the Audit Commission to the members of the Council.
- **Explanatory Foreword** – from the Corporate Director for Resources which provides a concise guide for the reader of the accounts of the most significant aspects of the Council's financial performance, year-end position and cash flows.
- **The Main Financial Statements**
  - **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council.
  - **Comprehensive Income and Expenditure Statement** – this statement shows the net cost in the year of providing Council services.
  - **Balance Sheet** – the Balance Sheet shows the value at the 31 March 2011 of the assets and liabilities held by the Council.
  - **Cash Flow Statement** – the cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period.
- **Notes to the Main Financial Statements** – these provide additional, more detailed information on specific areas from the main financial statements.
- **Supplementary Financial Statements**
  - **Housing Revenue Income and Expenditure Statement (HRA)** – the HRA Income and Expenditure Statement shows the net cost in the year of providing council housing.
  - **Collection Fund Income and Expenditure Account** – this statement shows transactions in relation to council tax and non-domestic rates.
- **Group Financial Statements** – a further set of financial statements, in the same format as those described above, including companies and other organisations in which we have an interest, together with relevant notes.
- **Pension Fund Accounts** – relating to the Local Government Pension Scheme we run for our employees (and those of some other organisations) and the Fire Fighters' Pension Fund.
- **Glossary** – an explanation of technical terms that have been used in the Statement of Accounts.
- **Annual Governance Statement** – a review of our governance framework and of the effectiveness of our systems of internal control and risk management.

Except where otherwise indicated, figures are presented in millions of pounds (£m) and are rounded to the nearest thousand pounds (£0.001m).

2. Comparison to the Budget

2.1 The Budget

The majority of our spending is on what are known as revenue costs. These cover the day-to-day costs of providing services, including the employment of staff and maintenance of premises. Cornwall Council's revenue budget for 2010/11 was set at £451.904m. This figure was made up of £1,241m (or £1.24 billion) of total (or gross) expenditure, partially offset by £789m of specific grants and other income.

The Council faced significant financial challenges during 2010/11 with £40.5m of savings and efficiencies to be delivered.

The financial management of the Council was further challenged during 2010/11, as the impact of the credit crunch was reflected in the decisions of the new government. In particular, the government's in-year grant cuts hit many services and required a rapid management response to avoid significant overspends.

The Council's leadership team of Members (Cabinet) and officers (Corporate Leadership Team) took a proactive approach to these pressures, which included a significant requirement for savings during the year on top of those which existed when the financial year started. The extreme weather also brought several challenges for services and further costs to manage.

An Emergency Budget was produced and approved in December 2010, which subsequently became the Budget for 2011/12. Included in the emergency budget was a strategy to deliver maximum savings in 2010/11 prior to the start of the new year, with the aim of putting additional funds into reserves. This will provide a cushion for potential risk areas in future years when government funding has been decreased further.

The aim was for the majority of fees and charges to be increased from the 1st January and for Heads of Service to complete service restructures early to deliver efficiencies in 2010/11 and avoid cost overruns in 2011/12. Complementary to this, the Council's Leadership Team undertook action to ensure that spend was minimised during 2010/11, partly to achieve reduced in-year budget targets and partly to ensure maximum flexibility and lowest cost of implementation for the more strategic changes.

2.2 Final Outturn Comparison

The overall position for 2010/11 shows that this approach was effective, with net expenditure £7.190m below budget, representing a variance of approximately 1.6% of the budget.

This reflects the strong management action of the leadership team and the Council's changing culture around financial control and budget management, which is improving; with a stronger sense of financial accountability on Heads of Service and Budget holders than existed in the first year of the new council. This has been recently been recognised by the Audit Commission in their Financial Management Audit.

For Adults and Children's Portfolios, it is the first time in many years that these critical and often demand-led services have balanced their budgets, with Adults achieving a balanced budget for the first year since 2003/04.

The Council monitors its budgeted net expenditure on a monthly basis by portfolio. Each portfolio represents a range of linked or similar services, which are the responsibility of an individual member of the Cabinet.

The final budget monitoring report presented to the Cabinet in June set out the underspend of £7.190m by portfolio as shown below:

Portfolio	Outturn £m	Budget £m	Variance from Budget £m
Leader	21.352	22.593	(1.241) [1]
Corporate Support	29.341	28.163	1.178 [2]
Waste Management, Climate Change and Historic Environment	63.585	63.091	0.494
Economy and Regeneration	9.572	9.523	0.049
Transportation and Highways	17.622	17.171	0.451
Adult Care and Support	113.370	113.467	(0.097)
Children's Services	72.646	72.799	(0.153)
Housing and Planning	13.961	13.833	0.128
Community Safety and Neighbourhoods	31.170	31.318	(0.148)
Customer First	18.316	18.599	(0.283)
Portfolio Total	**390.935**	**390.557**	**0.378**
Capital Financing and Interest Receipts	38.508	43.645	(5.137) [3]
Contribution to Icelandic Bank Reserve	1.000	1.000	-
Corporate Items:			
Transition Costs including Repayment of Reserves	18.415	18.497	(0.082)
Contingency	0.642	2.686	(2.044) [4]
Other	(4.786)	(4.481)	(0.305)
Corporate Items	**53.779**	**61.347**	**(7.568)**
Council Total	**444.714**	**451.904**	**(7.190)**

Notes on the main variances from budget:

1. Leader – mainly relates to unbudgeted roll-forward of expenditure into 2011/12, particularly in relation to ERP project.
2. Corporate Support – budgeted procurement savings not allocated to service areas, ie offset in other portfolios.
3. Capital Financing and Interest Receipts – improved investment performance compared to budget together with the impact on interest payments of slippage in the capital programme
4. Contingency – unspent contingency

2.3 Statement of Accounts Comparison

However, there are significant differences between the Council's underspend against budget of £7.190m as reported to Cabinet and the deficit of £52.304m reported in the Comprehensive Income and Expenditure Statement (CIES) in this Statement of Accounts. The main differences are explained in this section.

Service expenditure, interest payable, other operating costs and income from grants and local taxpayers are compared in overall terms to the budget in the table below:

	2010/11 £m	2009/10 £m
Net expenditure in the portfolio analysis	444.714	428.663
Net expenditure of service and support services not included in the Analysis	150.342	11.766
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	13.057	185.482
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(34.521)	(30.102)
Cost of services in the Comprehensive Income and Expenditure Statement	**573.592**	**595.809**

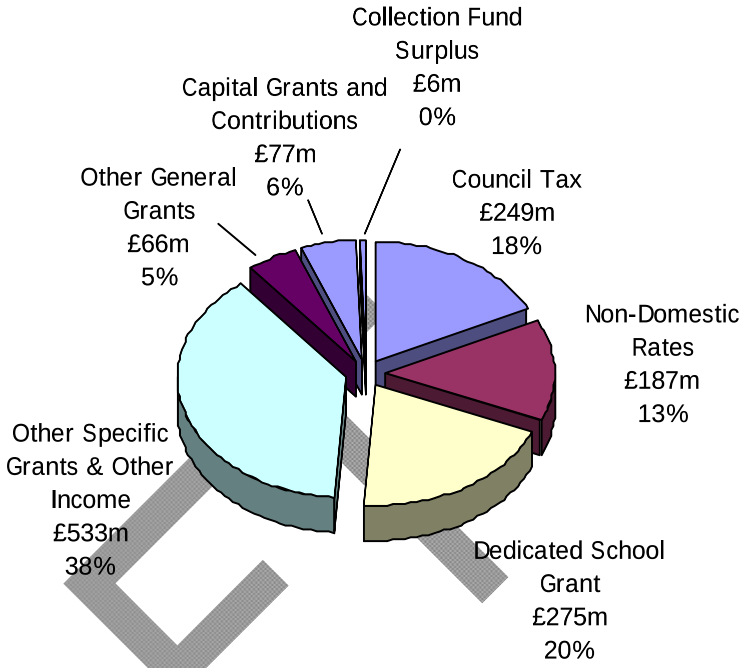
The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in year
- expenditure on some support services is budgeted for centrally and not charged to portfolios.

2.4 Where our funding came from in 2010/11

Our revenue spending was funded from:

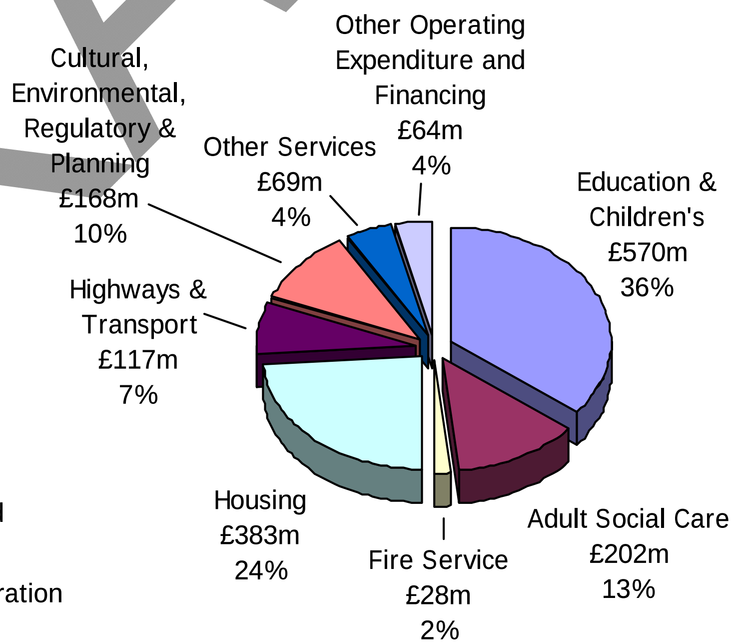
1. Council Tax
2. National Non-Domestic Rates (NNDR) redistributed as part of our main Government funding grant.
3. Dedicated School Grant (DSG) – a specific grant which provides the bulk of school funding
4. Other specific grants and other income – supporting particular services
5. Other general grants
6. Capital Grants and Contributions – recognised as income when any attached conditions are met
7. Collection Fund surplus



2.5 The services and related costs we spent it on

The main categories of service that we fund are:

1. Education & Children's Services – including school budgets, special education, and children's social care
2. Adult Social Care – including social care for the elderly, mentally ill, physically disabled, sensory impaired and those with learning disabilities
3. Fire Service
4. Housing – including affordable housing, homelessness and Council tenants (Housing Revenue Account)
5. Highways and Transport Services
6. Cultural, Environmental, Regulatory and Planning Services
7. Other Services – for example the registration service, elected members costs and corporate management costs
8. Other Operating Expenditure and Financing
9. Not shown – Exceptional Costs / Credits



3. Material Items of Income or Expense

The Council has highlighted two exceptional items in its accounts for 2010/11. These are shown separately on the face of the Comprehensive Income and Expenditure Statement and explained in Note 5 to the accounts:

1) IAS 19 pension credit – this very large credit of £157.234m has arisen following the Chancellor's announcement in the June 2010 budget that public sector pensions would in future be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) as previously. It reflects the lower amount that the Council will have to pay in the future to meet its current pension liabilities.

2) Redundancies of £1.978m in relation to the reorganisation of certain Council services into a Lean Neighbourhood Service Operation, through the Neighbourhood Services Integration Programme (NSIP) and the related Client Transformation Programme in the Transportation, Waste and Environment Service (TWE). Whilst the Council has made voluntary redundancies in a number of services, funded in the main out of service budgets, these programmes are deemed exceptional by virtue of their size and scope and in consequence are being funded from corporate resources.

Other individually material amounts relate to normal charges in respect of assets, pensions and financing and are detailed in the relevant notes to the accounts.

4. Capital Expenditure and Funding

In addition to our day to day running costs, we spend money on assets such as land and buildings, roads and other major infrastructure, vehicles and information and communications technology. Such expenditure is intended to contribute to service provision over a number of years and is defined as capital expenditure.

Capital expenditure tends to be characterised by large individual schemes, with expenditure often incurred over several financial years. Because of this, it is not normally controlled against a strict annual budget as with revenue spending, but rather through a programme of approved schemes within a multi-year capital plan. Capital schemes are approved on the basis of both affordability and Council priorities.

During 2010/11, our actual capital spending was £184.149m (2009/10 £143.200m). The major areas of capital expenditure were:

- Primary & secondary school schemes £47.1m
- Transport schemes £44.2m
- Housing schemes £19.5m
- Economic Development schemes £13.8m

Included within the total expenditure on transport schemes is £24.2m specifically relating to the maintenance of the County's roads.

There are three main elements to our Housing related expenditure. The Council has invested £8.5m on improving its own housing stock. A further £4.4m has been put towards new affordable housing developments, through grant payments to Registered Social

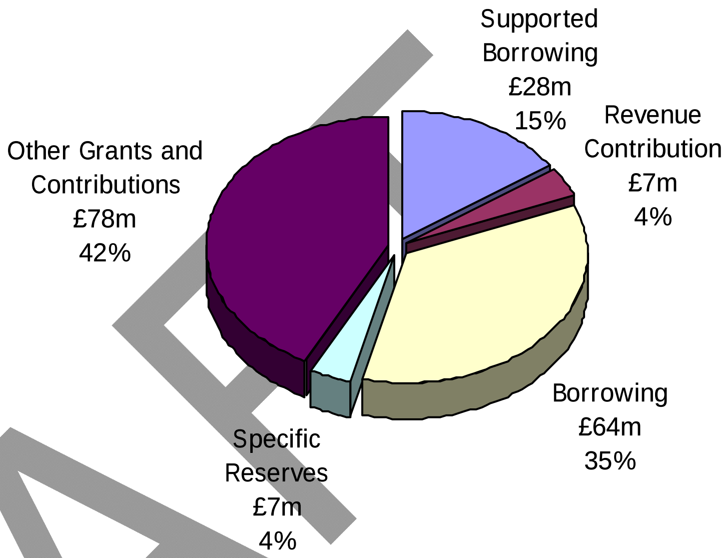
Landlords. Thirdly, £6.1m has been spent on private sector housing, for example in the form of Disabled Facilities Grants and energy efficiency schemes.

The major projects within Economic Development have been the developments of Heartlands (£4.5m), Hayle Harbour (£4.6m) and Tremough Innovation Centre (£3.5m).

4.1 Where our capital funding came from in 2010/11

Our capital spending was funded from:

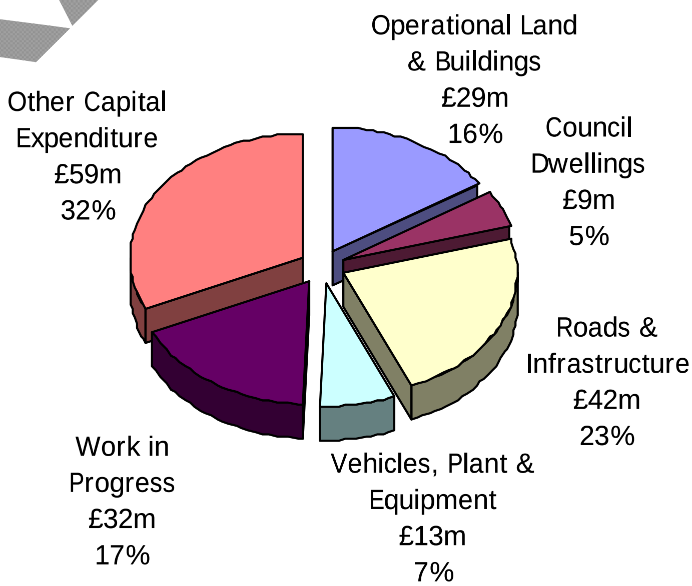
1. Supported borrowing – government funding in the form of support for borrowing costs
2. Revenue contributions
3. Borrowing – either external or internal
4. Specific reserves – money set aside by services to fund future expenditure
5. Other grants and contributions – from external bodies such as Central Government and the European Regional Development Fund



4.2 How the money was spent

The main areas of expenditure were:

1. Operational Land and Buildings
2. Council Dwellings
3. Roads and Infrastructure
4. Vehicles, Plant and Equipment
5. Assets Under Construction (assets not yet operational)
6. Other Capital Expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS), which is expenditure of a capital nature that does not result in a Council asset e.g. Disabled Facilities Grants.



5. Current Borrowing Facilities and Capital Borrowing

At the end of 2010/11, the Council's external borrowing amounted to £522.791m, an increase of £10.685m from the opening position. This is approximately in line with the forecast established by the Council's Treasury Management Strategy in December 2010.

The Council's borrowings are managed within the overall framework set by the Strategy, which forms a key financial control, regulating the Council's use of borrowing to finance its capital expenditure. The Strategy itself sits within the wider framework set by CIPFA's Prudential Code for Capital Finance which underpins the system of capital finance and ensures that the Council's capital investment plans are affordable, prudent and sustainable.

The Local Authorities Capital Finance and Accounting Regulations 2008 also require the approval of a Minimum Revenue Provision (MRP) Policy in advance of each financial year within which the Council should determine a prudent mechanism for making a provision for the repayment of borrowing incurred to support capital expenditure. This charge forms part of the revenue budget for the cost of capital expenditure financed through borrowing.

The Prudential Code also sets out a requirement for the Council to agree a set of Prudential Indicators which establish limits or boundaries to the Council's level of borrowing. The Council's current level of borrowing is comfortably within the Operational Boundary (£591m) and the Authorised Borrowing Limit (£640m) set for 2010/11.

The Council's policy is to undertake its Treasury Management activities in a flexible manner so as to ensure that its capital expenditure is funded at the lowest cost whilst retaining sufficient liquid funds to provide for day to day Cashflow requirements. As a result, the level of borrowing should properly be considered alongside the level of investments held by the council. Taking these balances into account, the level of net debt at 31 March 2011 was £308.388m, an increase of £10.748m from the opening position.

Over this same period, the Council's cash position increased by £49.662m as shown in the Cashflow Statement on page 22.

6. Pensions Assets and Liabilities

The Council has fully adopted the provisions of International Accounting Standard 19 (IAS19) in relation to accounting for post employment benefits. Further detailed information relating to the Council's pension scheme is set out in Note 47 to the main financial statements.

The Council is liable as an employer for any deficit in the funding of its pension scheme. At 31 March 2011, the deficit stood at £431.679m, down very significantly from £868.983m at 31 March 2010. This reflects two major changes in the year:

- The exceptional credit to past service costs of £157.234m in respect of the change from RPI to CPI for future pension uplifts
- An actuarial gain of £307.288m

This change demonstrates the volatility that can arise using the IAS19 valuation required by the Code. However, the Council takes a longer term view of the health of the pension scheme and on the basis of actuarial advice, the Council agreed in 2009/10 to pay an

additional employer's contribution rate of 3.4% over a twenty year period. This is reviewed on a triennial basis in line with the actuarial valuation of the pension fund.

7. Significant Provisions, Contingencies and Material Write-offs

Provisions

The Council has established a number of provisions, two of which were individually significant at 31 March 2011.

- Redundancies – a provision of £3.080m held to cover the costs of redundancies notified but not concluded by 31 March 2011
- Accumulated absences – a provision of £12.475m in relation to holiday pay (and any other earned future rights to leave) due to staff at 31 March 2011

Contingencies

The notes to the accounts also detail a contingent liability – matters where the existence of a liability is uncertain as it depends on future events outside the Council's control:

1) Waste disposal sites – the Council is responsible for a number of closed waste disposal sites which, regardless of the ongoing maintenance of each, could result in unforeseen costs to the Council whilst the sites settle.

Material Write-offs

During 2010/11, the Council's property assets were, for the forth year in succession, subject to a considerable drop in their value. In total, the current value of the Council's property, plant and equipment portfolio was reduced by £213.539m during the year. Although this is a very significant change, the downward revaluation does not give rise to a charge against the council tax, as this is one of the areas where the Government provides a statutory override to mitigate the impact on the accounts. For this reason, the charge made to reflect this downward revaluation, though it is required to be shown in the Comprehensive Income and Expenditure Statement published within the Statement of Accounts, is not reported through the Council's budget monitoring process.

8. Significant Changes in Accounting Policies

From the 2010/11 financial year, the Statement of Recommended Practice (SORP) under which the Council's accounts have previously been prepared has been replaced by the Code of Practice on Local Authority Accounting. Whereas the SORP was based on UK accounting standards, the Code is based on International Financial Reporting Standards (IFRS).

This change is a significant step towards the Government's goal of producing consolidated accounts for the whole of the UK public sector on a basis consistent with other countries and the private sector and follows earlier implementations by central government departments and the NHS. It is generally the case that local government is protected from direct financial impacts of accounting changes to avoid the Council Tax payer being required to fund costs which do not have a direct impact on a Council's cash resources. This has been the case with respect to the key IFRS changes and a number of regulatory provisions have been enacted to ensure that the Council's General Fund has been left unchanged by the adoption of IFRS.

As well as changing the basis of the Council's accounts going forwards, the Code requires the Council's accounts for 2009/10 to be restated as if IFRS had always applied. Therefore, a number of changes have been made to the comparative figures for last year. The main changes, summarised below, are detailed in Note 1b to the accounts:

1) Treatment of PFI schemes and similar arrangements – this change, bringing the Council's PFI schemes onto the Council's balance sheet, was adopted one year in advance of other changes through the 2009/10 SORP. This does not therefore represent a change to this year's Statement of Accounts.

2) Asset valuation – under the Code, assets that would previously have been categorised as investment properties have been reclassified as property, plant and equipment and the basis of valuation has been changed to fair value at existing use.

3) Asset componentisation – Under the Code, assets individual assets are required to be re-examined to see whether they are more fairly represented as a collection of components with differing asset lives. This represents a significant change for the Council's asset management processes but, unlike the other changes described here, is being implemented on a prospective basis – ie each asset only needs to be considered for componentisation at the time of revaluation or enhancement.

4) Leases – under the Code, the definitions of the two types of leases, operating and financial are amended. Also, any leases of property are accounted for as separate leases of land and buildings.

5) Grants – under the Code, grants and contributions for capital schemes are recognised as income when they become receivable, ie when any conditions applicable to the grants have been complied with.

6) Holiday Pay – under the Code, the Council is required to accrue for the holiday pay (and any other earned future rights to leave) due to staff at 31 March, for which (since the Council's current systems do not capture this) information has been gathered using staff questionnaires. This required a large initial accrual to be raised in the restated balance sheet at 31 March 2009. However, that accrual would not normally be expected to change by a significant amount year on year.

7) Format of the Statements of Account – the Code introduces a number of changes to the format of the Statement of Accounts, both in terms of the main statements and the disclosure notes. It is a requirement of IFRS that where significant changes are made through changes in accounting policies, as is the case with regard to the adoption of the Code, that additional disclosures are made regarding those changes and (through restatement of comparative information) the impact on the accounts.

9. Looking Ahead to 2011/12 and Beyond

The Council set its four year revenue and capital budgets in February 2011 for the period 2011/12 to 2014/15.

The current financial position facing Local Authorities is unprecedented with significant reductions in government funding. We received a two year revenue settlement from the government covering 2011/12 and 2012/12. The settlement was very different than previous years in that specific grants have either been rolled into the main formula grant or been replaced by a small number of core grants. This means that the comparison between years is not simple as it appears to lead to an increase in our formula grant funding. Comparisons can only be made after adding all the various government funding streams together. The affect of these changes on our overall government funding and total resources is shown below:

	2011/12	2012/13	2013/14	2014/15
Government Support	-16.4%	-21.2%	-25.0%	-28.5%
Total Resources	-8.6%	-11.4%	-12.4%	-13.0%

In setting our four year revenue budget we also made the following assumptions:

	2011/12	2012/13	2013/14	2014/15
Council tax increase	0.00%	0.00%	2.00%	2.50%
Council tax collection rate	97.50%	97.50%	97.50%	97.50%
Council tax base increases	1.00%	0.75%	0.75%	0.75%
Formula grant funding	n/a	n/a	-6.00%	-6.00%
Other grants	n/a	n/a	0%	0%

It was assumed that services would find inflation within their budget allocation, if not it was to be part of their budget pressures.

In order to balance the budget management and efficiency savings totalling £75.3m were required in 2011/12 with a total of £160m over the four year period. In addition £11.5m had to be found from reductions in services mainly in 2011/12. There is a significant management challenge to achieve all the proposed savings. The Council is going through a significant period of transformational change and whilst the Council is confident that all the savings individually are achievable, the overall scale of change is such that some initiatives

may fail, at least in part, to deliver the projected reductions in expenditure. Other areas of risk highlighted are:

- the knock on effect of the transformation projects on business as usual
- the public consultation processes delay both implementation and increase costs of the transformation projects
- we don't achieve the income from the increases in fees and charges due to a reduction in usage
- there is a potential significant increase in inflation in the next twelve months as the UK economy begins to emerge from recession

For these reasons a significant contingency and general reserve has been set to protect the Council's medium term financial position.

The target budgets per directorate for the four years are set out below:

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Net Budget				
Adult Care and Support	135.079	139.079	143.079	147.079
Childrens Schools and Families	93.183	92.136	90.822	90.822
Communities	56.422	55.743	55.635	55.635
Environment Planning and Economy	98.480	93.972	97.701	97.701
Chief Executive	12.177	12.066	11.946	11.946
Resources	39.111	36.871	35.993	35.665
Capital Financing	46.737	50.424	55.424	57.400
Corporate Items	33.966	18.986	2.915	(5.881)
Total Net Budget	**515.155**	**499.277**	**493.515**	**490.367**

The changes in government funding have not had such an impact on the capital programme with a minimal reduction of £3.384m over the full five years 2010/11 to 2014/15 and later. The main change in funding is that supported borrowing has ended and has been replaced by grant funding. The detailed analysis of how the funding and the review of the cash flows will affect the capital programme is currently being worked through but the overall proposed programme is as follows:

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 & later £m	Total £m
Latest programme	184.149	206.739	128.464	119.531	49.282	688.165

10. Port of Penryn and Port of Truro Accounts

The Council as a Harbour Authority, under the Penryn Harbour Orders 1870-1920 and the Truro Harbour Orders 1883-1920, administers the two port accounts, the form and content of which are governed by the Statutory Harbour Undertakings (Form of Account etc) Local Authority Regulations 1983. Income and expenditure included in these accounts under Highways, Roads and Transport is in line with Best Value Accounting Code of Practice (BVACOP). The two Port accounts are, nevertheless, ring-fenced and any accrued surplus is held within Port accounts' reserves for future investment in Port and Harbour activities.

11. Group Accounts

As the Council has material interests in subsidiary and associated undertakings and joint ventures, it is required to prepare Group Accounts.

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures.

The accounting polices for the group accounts are the same as those applied to the single entity financial statements except for the following polices which are specific to the group accounts.

The Group Accounts can be found on page 124.

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Main Financial Statements

Movement in Reserves Statement (opposite)

This statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (below)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; but this is different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2010/11			Restated 2009/10			
	Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m	Notes
Central services to the public	58.609	(51.806)	6.803	58.363	(48.110)	10.253	
Cultural, environmental, regulatory and planning	168.381	(42.460)	125.921	178.353	(38.671)	139.682	
Education and children's services	570.005	(415.964)	154.041	585.703	(393.747)	191.956	
Highways and transport services	116.588	(26.506)	90.082	67.679	(22.167)	45.512	
Local authority housing (HRA)	184.444	(34.102)	150.342	46.382	(34.616)	11.766	
Other housing services	198.295	(181.482)	16.813	184.557	(178.396)	6.161	
Adult social care	201.833	(53.088)	148.745	186.124	(53.433)	132.691	
Fire and rescue services	28.462	(2.428)	26.034	23.462	(1.839)	21.623	
Corporate and democratic core	11.693	(0.487)	11.206	8.988	(0.101)	8.887	
Non distributed costs	(1.126)	(0.013)	(1.139)	(1.771)	-	(1.771)	
Exceptional costs - Redundancy	1.978	-	1.978	14.181	-	14.181	5
Exceptional credit - Pension IAS 19	(157.234)	-	(157.234)	-	-	-	5
Cost of services	**1,381.928**	**(808.336)**	**573.592**	**1,352.021**	**(771.080)**	**580.941**	
Other operating expenditure			14.228			12.129	9
Financing and investment income and expenditure			49.835			35.373	10
Taxation and non-specific grant income			(585.351)			(549.313)	11
(Surplus) or deficit on provision of services			**52.304**	**-**	**-**	**79.130**	
Surplus or deficit on revaluation of property, plant and equipment			(36.635)			25.157	
Surplus or deficit on revaluation of available for sale financial assets			(0.091)			0.381	
Actuarial gains/losses on pension assets/liabilities			(307.288)			452.682	
IFRS adjustments not gone through CIE			-			(21.996)	
Other recognised gains and losses			13.912			0.858	
Other comprehensive income and expenditure			**(330.102)**			**457.082**	
Total comprehensive income and expenditure			**(277.798)**			**536.212**	

Movement in Reserves Statement

	Note	General Fund Balance	GF Schools Balance	Earmarked GF Reserves	Ports Balances	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Reserve	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2009		**(17.978)**	**(20.149)**	**(67.001)**	**(0.900)**	**(6.793)**	**(17.460)**	**(1.583)**	**(0.293)**	**(132.157)**	**(1,168.044)**	**(1,300.201)**
Movement in reserves during 2009/10												
Surplus or (deficit) on the provision of services		63.619	-	-	-	15.511	-	-	-	79.130	-	**79.130**
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	457.082	**457.082**
Total Comprehensive Income and Expenditure		**63.619**	**-**	**-**	**-**	**15.511**	**-**	**-**	**-**	**79.130**	**457.082**	**536.212**
Adjustments between accounting basis & funding basis under regulations	**7**	(72.323)	-	-	-	(12.716)	(2.558)	(1.413)	(6.593)	(95.603)	95.603	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(8.704)**	**-**	**-**	**-**	**2.795**	**(2.558)**	**(1.413)**	**(6.593)**	**(16.473)**	**552.685**	**536.212**
Transfers to/from Earmarked Reserves		11.710	(1.739)	(16.023)	(0.230)	-	-	-	6.282	-	-	**-**
Increase/Decrease in 2009/10		**3.006**	**(1.739)**	**(16.023)**	**(0.230)**	**2.795**	**(2.558)**	**(1.413)**	**(0.311)**	**(16.473)**	**552.685**	**536.212**
Balance at 31 March 2010 carried forward		**(14.972)**	**(21.888)**	**(83.024)**	**(1.130)**	**(3.998)**	**(20.018)**	**(2.996)**	**(0.604)**	**(148.630)**	**(615.359)**	**(763.989)**
Movement in reserves during 2010/11												
Surplus or (deficit) on the provision of services		(98.895)	-	-	-	151.199	-	-	-	52.304	-	**52.304**
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	(330.102)	**(330.102)**
Total Comprehensive Income and Expenditure		**(98.895)**	**-**	**-**	**-**	**151.199**	**-**	**-**	**-**	**52.304**	**(330.102)**	**(277.798)**
Adjustments between accounting basis & funding basis under regulations	**7**	54.479	-	-	-	(149.918)	(5.671)	(0.178)	0.310	(100.978)	100.978	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(44.416)**	**-**	**-**	**-**	**1.281**	**(5.671)**	**(0.178)**	**0.310**	**(48.674)**	**(229.124)**	**(277.798)**
Transfers to/from Earmarked Reserves		25.808	(8.060)	(17.665)	(0.083)	-	-	-	-	-	-	**-**
Increase/Decrease in Year		**(18.608)**	**(8.060)**	**(17.665)**	**(0.083)**	**1.281**	**(5.671)**	**(0.178)**	**0.310**	**(48.674)**	**(229.124)**	**(277.798)**
Balance at 31 March 2011 carried forward		**(33.580)**	**(29.948)**	**(100.689)**	**(1.213)**	**(2.717)**	**(25.689)**	**(3.174)**	**(0.294)**	**(197.304)**	**(844.483)**	**(1,041.787)**

Balance Sheet (opposite)

The Balance Sheets shows the value of the assets and liabilities recognised by the Council at 31 March. The net assets of the Council are matched by reserves held by the Council. Reserves are reported in two categories - usable reserves, ie those reserves that the Council may use to provide services (subject to the need to maintain a prudent level of reserves and any statutory limitations on their use). Unusable reserves are those reserves that the Council is not able to use to provide services, including reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets were sold and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

Cash Flow Statement (below)

The cash flow statement shows the changes to cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income of from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council during the year.

	2010/11 £m	Restated 2009/10 £m	Notes
Net (surplus) or deficit on the provision of services	**52.304**	**79.130**	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(298.092)	(344.093)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	167.188	225.932	
Net cash flows from operating activities	**(78.600)**	**(39.031)**	25
Investing Activities	32.515	(30.549)	26
Financing Activities	(3.577)	95.889	27
Net increase or decrease in cash and cash equivalents	**(49.662)**	**26.309**	
Cash and cash equivalents at the beginning of the reporting period	**(30.115)**	**(3.806)**	
Cash and cash equivalents at the end of the reporting period	**19.547**	**(30.115)**	

Balance Sheet	31 March 2011 £m	Restated 31 March 2010 £m	Restated 1 April 2009 £m	Notes
Property, Plant and Equipment	1,929.711	2,076.876	2,129.401	12
Intangible Assets	2.354	1.006	2.942	14
Long Term Investments	140.193	169.943	148.841	15
Long Term Debtors	28.227	27.383	27.180	15
Long Term Assets	**2,100.485**	**2,275.208**	**2,308.364**	
Cash and Cash Equivalents	19.547	-	-	19
Short Term Investments	74.210	44.523	117.048	15
Assets Held for Sale	0.641	1.137	1.937	20
Landfill Allowances Trading Scheme (LATS)	0.543	0.461	-	
Inventories	5.136	4.736	4.567	16
Short Term Debtors	78.121	78.676	101.749	18
Current Assets	**178.198**	**129.533**	**225.301**	
Cash and Cash Equivalents	-	(30.115)	(3.806)	19
Short Term Borrowing	(17.303)	(7.469)	(57.398)	15
Short Term Creditors	(123.996)	(107.390)	(115.201)	21
Provisions	(13.675)	(11.968)	(9.784)	22
Liabilities in Disposal Groups	-	(0.180)	-	15
Current Liabilities	**(154.974)**	**(157.122)**	**(186.189)**	
Long Term Creditors	(0.110)	(0.120)	(0.253)	
Provisions	(4.495)	(1.447)	(12.338)	22
Long Term Borrowing	(505.488)	(504.637)	(506.808)	15
Pension Liability	(431.679)	(868.983)	(410.004)	47
PFI Long Term Liabilities	(81.362)	(62.525)	(83.989)	15
Other Long Term Liabilities	(0.741)	(0.471)	(0.285)	15
Capital Grants Receipts in Advance	(58.047)	(45.445)	(33.598)	38
Long Term Liabilities	**(1,081.922)**	**(1,483.628)**	**(1,047.275)**	
Net Assets	**1,041.787**	**763.991**	**1,300.201**	
Usable Reserves	(197.304)	(148.630)	(132.157)	23
Unusable Reserves	(844.483)	(615.361)	(1,168.044)	24
Total Reserves	**(1,041.787)**	**(763.991)**	**(1,300.201)**	

Net Worth per Balance Sheet as previously published:	(667.228)	(1,266.478)
Movements relating to 1 April 2009 restatement	(32.350)	-
Deferred Capital Receipts reclassified as Unusable Reserve	(1.264)	(1.373)
Prior Period Adjustment for Accumulated Absences Reserve	2.184	9.784
Prior Period Adjustment for Assets	(20.205)	26.514
Prior Period Adjustment for Grants	(27.678)	(166.137)
Prior Period Adjustment for Leases	(0.112)	0.034
Prior Period Adjustment for Foundation Schools	(17.338)	97.455
Net Worth per Restated Balance Sheet	(763.991)	(1,300.201)

Notes to the Main Financial Statements

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Note 1a

Accounting Policies

i General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2011 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

v Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting

transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wages and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of three main pension schemes:

- The Local Government Pension Scheme, administered by Cornwall Council
- The Fire Fighters Pensions Scheme
- The Teachers Pension Scheme, administered by Capita Teachers Pensions on behalf of the Department for Education (DfE)

These schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

However, the arrangements for the teachers scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Children's Services line in the

Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers Pensions Scheme in the year.

Details of the Fire Fighters' Pension Fund Account are described separately in the Council's accounts.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cornwall Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% based on the indicative rate of return on high quality corporate bond (Iboxx Sterling Corporates AA).
- The assets of the Cornwall Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- The change in the net pensions liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment and Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

- o Contributions paid to the Cornwall Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

viii Events After the Balance Sheet Date

Events after the Balance Sheet Date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the

modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Although, the Council has made a number of soft loans to voluntary organisations and other external bodies at less than market rates (soft loans); no entries have been recorded in the financial statements for these loans. This is a departure from the requirements of the Code, made on the grounds that the sums involved were deemed to be immaterial.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available-for-sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the Provisions, Contingent Liabilities and Contingent Assets.

x Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate for 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

There are currently two Business Improvement District (BID) schemes operating in Cornwall, in Truro and Falmouth. These schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as a principal under the scheme and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

xii Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as the result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xiv Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, on a “first in, first out” basis, except in the case of Highways where they are valued at average price. Inventories in the Highways and Fire Brigade workshops are valued on a “last in, first out basis” – although this is a departure from IAS2, the amounts concerned are not material to the Council’s accounts.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xv Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The Council does not currently hold any assets as investment property.

xvi Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses

that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xvii Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal) matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets if fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is

used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xix Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of an asset, acquired other than by purchase, is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they

are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 35 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain of loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xx Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the fixed assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For certain schemes, the liability may be written down by an initial capital contribution.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xxi Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim) this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Landfill Allowances Trading Scheme (LATS)

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination of the two). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of the liability is measured as the cost of the penalty.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxii Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be included within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxiii Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiv Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Note 1b

Meeting Disclosure Requirements under IFRS

This Statement of Accounts is the first to be prepared under International Financial Reporting Standards (IFRS). Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following section sets out the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in these financial statements.

Short-term accumulating compensated absences

Short-term accumulating absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up their entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn their benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating absences has resulted in the following changes being made to the 2009/10 financial statements.

Balance Sheet Extract 2009/10	Unitary Balance Sheet 1 Apr 2009 £m	Impact of IFRS Restatements £m	Restated Balance Sheet 1 Apr 2009 £m	Impact of IFRS Restatements 2009/10 £m	Restated Balance before 2009/10 Movements £m
Accumulated Absences Account	-	9.784	9.784	2.184	11.968
Provision for Accumulated Absences	-	(9.784)	(9.784)	(2.184)	(11.968)

Comprehensive Income and Expenditure Statement 2009/10 Cost of Services (Net)	1 Apr 2009 £m	Impact of IFRS Restatements £m	Restated Balance before 2009/10 Movements £m
Central services to the public	10.187	0.028	10.215
Cultural, environmental, regulatory and planning services	105.259	0.129	105.388
Education and children's services	191.236	1.859	193.095
Highways and transport services	44.341	0.033	44.374
Local authority housing (HRA)	12.988	0.006	12.994
Other housing services	6.142	0.016	6.158
Adult social care	133.777	0.008	133.785
Fire and rescue services	21.473	0.035	21.508
Corporate and democratic core	8.880	0.002	8.882
Trading Accounts	0.014	0.068	0.082

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the revaluations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has some leases where the accounting treatment has changed following the introduction of the Code. The Council leases seven refuse vehicles; the lease was previously classified as an operating lease but under the Code, has been reclassified as a finance lease.

As a consequence of this reclassification the financial statements have been amended as follows:

- The Council has recognised an asset (the vehicles) and a finance lease liability
- The operating lease charge within Cultural, Environmental, Regulatory and Planning Services has been removed
- A depreciation charge has been included within Cultural, Environmental, Regulatory and Planning Services
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year
- The interest element of the lease payment in respect of the vehicles is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services

Similarly, the Council has a number of schools finance leases which have been reclassified as operating leases. As a consequence of this reclassification the financial statements have been amended as follows:

- The Council has derecognised the assets and the finance lease liability
- An operating lease charge has been made within Education and Children Services line in the Comprehensive Income and Expenditure Statement
- The depreciation charge has been removed from the Education and Children Services line in the Comprehensive Income and Expenditure Statement
- The credit to the Capital Adjustment Account in respect of the depreciation charge has been reversed, as has the charge for Minimum Revenue Provision. These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

- The interest element of the lease payment in respect of the schools leases has been removed from the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services

This has resulted in the following changes being made to the 2009/10 financial statements:

Balance Sheet Extract 2009/10	Unitary Balance Sheet 1 Apr 2009 £m	Impact of IFRS Restatements £m	Restated Balance Sheet 1 Apr 2009 £m	Impact of IFRS Restatements 2009/10 £m	Restated Balance before 2009/10 Movements £m
Property, plant and equipment (leased assets)	25.722	(0.096)	25.626	(0.024)	25.602
Short Term Creditors	(114.742)	-	(114.742)	(0.061)	(114.803)
Long Term Finance lease liability	(83.990)	0.062	(83.928)	0.197	(83.731)
Capital adjustment account	(1,289.239)	0.034	(1,289.205)	(0.112)	(1,289.317)

Comprehensive Income and Expenditure Statement 2009/10	1 Apr 2009 £m	Impact of IFRS Restatements £m	Restated Balance before 2009/10 Movements £m
Cultural, environmental, regulatory and planning services	105.259	(0.047)	105.212
Financing and investment income and expenditure	35.383	(0.010)	35.373

Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the code, the financial statements have been amended as follows:

- The balance in the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants which were shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following this change in accounting policy, the grant has been recognised in full and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

There is no change to the General Fund Balance as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

Balance Sheet Extract 2009/10	Unitary Balance Sheet 1 Apr 2009 £m	Impact of IFRS Restatements £m	Restated Balance Sheet 1 Apr 2009 £m	Impact of IFRS Restatements 2009/10 £m	Restated Balance before 2009/10 Movements £m
Government Grants Deferred Account	(164.554)	164.554	-	-	-
Capital Grants Unapplied Account	(35.181)	35.181	-	-	-
Capital Grants Receipts in Advance	-	(33.598)	(33.598)	27.678	(5.920)
Capital Grants Reserve	-	(1.583)	(1.583)	(1.413)	(2.996)
Capital Adjustment Account	(1,289.239)	(164.554)	(1,453.793)	(26.265)	(1,480.058)

Comprehensive Income and Expenditure Statement 2009/10	1 Apr 2009 £m	Impact of IFRS Restatements £m	Restated Balance before 2009/10 Movements £m
Central services to the public	10.187	0.055	10.242
Cultural, environmental, regulatory and planning services	105.259	31.983	137.242
Education and children's services	191.236	9.586	200.822
Highways and transport services	44.341	1.301	45.642
Other housing services	6.142	0.003	6.145
Adult social care	133.777	0.488	134.265
Fire and rescue services	21.473	0.124	21.597
Corporate and democratic core	8.880	0.053	8.933
Trading Accounts	0.014	0.007	0.021
Taxation and non-specific grant income	(478.034)	(71.279)	(549.313)

Cash and Cash Equivalents

Under the Code, cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The bank overdraft is an integral part of the Council's cash management and has therefore been netted off against the cash and cash equivalents figure.

These changes are summarised in the table below.

Balance Sheet Extract 2009/10	Unitary Balance Sheet 1 Apr 2009 £m	Impact of IFRS Restatements £m	Restated Balance Sheet 1 Apr 2009 £m	Impact of IFRS Restatements 2009/10 £m	Restated Balance before 2009/10 Movements £m
Short Term Investments	190.138	(25.982)	164.156	7.450	171.606
Cash and Cash Equivalents Total	(29.788)	25.982	(3.806)	(7.450)	(11.256)

Property, Plant and Equipment

Under the Code, the existing asset sub-categories of Council Dwellings, Other Land and Buildings, Vehicles Plant and Equipment, Infrastructure, Community Assets, Assets Under Construction and Surplus Assets have been grouped together under the heading of Property, Plant and Equipment. The sub-category of Surplus Assets includes assets that are surplus to service needs but do not meet the criteria to be classified as either Investment Property or Assets Held for Sale.

Assets that are used solely to earn rentals or for capital appreciation, or both, fall into the much more strictly defined category of Investment Properties. Those assets that are available for sale, where the sale is highly probable, the asset is being actively marketed and the sale is expected to be completed within one year, fall into the new category of Assets Held for Sale.

As a consequence of adopting the accounting policies required by the code, the financial statements have been amended as follows:

- Assets previously categorised as Investment Properties have either been reclassified as Property, Plant and Equipment and revalued at fair value at their existing use or have been reclassified as Assets Held for Sale.

- Investment Properties would not have previously been depreciated but Property, Plant and Equipment would have been, so the depreciation charges and changes in value have been recognised in the comparative figures for the Comprehensive Income and Expenditure Statement and the Balance Sheet.

- Assets that are surplus to service needs but do not meet the criteria to be classified as either Investment Property or Assets Held for Sale are reclassified as Surplus under Property, Plant and Equipment and revalued at fair value at their existing use.

- Assets that meet the strict criteria to be classified as Assets Held for Sale have been moved from Long Term Assets to Current Assets on the balance sheet.

These changes have no impact on the General Fund Balance as revaluation adjustments and depreciation are reversed out of the General Fund under both the previous and the current accounting arrangements.

Balance Sheet Extract 2009/10	Unitary Balance Sheet 1 Apr 2009 £m	Impact of IFRS Restatements £m	Restated Balance Sheet 1 Apr 2009 £m	Impact of IFRS Restatements 2009/10 £m	Restated Balance before 2009/10 Movements £m
Property, plant and equipment	2,223.288	3.664	2,226.952	25.800	2,252.752
Investment property	32.115	(32.115)	-	-	-

Comprehensive Income and Expenditure Statement 2009/10	1 Apr 2009 £m	Impact of IFRS Restatements £m	Restated Balance before 2009/10 Movements £m
Central services to the public	10.187	(0.017)	10.170
Cultural, environmental, regulatory and planning services	105.259	2.358	107.617
Education and children's services	191.236	4.087	195.323
Highways and transport services	44.341	(0.164)	44.177
Local authority housing (HRA)	12.988	(1.228)	11.760
Adult social care	133.777	(1.582)	132.195
Fire and rescue services	21.473	(0.009)	21.464
Corporate and democratic core	8.880	(0.048)	8.832
Trading Accounts	0.014	(0.005)	0.009

Note 2

Accounting Standards issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are included within the following categories:

Asset Classification	31 March 2011 £m
Community	5.672
Land & Building	0.887
Plant/Vehicle/Equipment	0.030

Note 3

Critical Judgements in Applying Accounting Policies

In applying the accounting polices set out in Note 1 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Future funding - there is a high degree of uncertainty about future levels of funding for local government. However, this uncertainty is not yet sufficient to provide an indication that the Council's assets might be impaired as a result of a need to reduce levels of service provision.
- Valuation of Newquay Airport – the valuation of Newquay Airport in these accounts is highly dependent on the valuation basis used which is, in turn, determined by the Council's intentions with regard to its future ownership of the Airport and the extent to which verifiable external market evidence of value can be established. Following consultation with the Audit commission, the Council has determined that the most appropriate basis of valuation for these accounts is to use the Depreciated Replacement Cost (DRC) based on the remaining service potential rather than a market-based estimate.
- Treatment of school assets – there has been considerable uncertainty in recent years over the most appropriate treatment of the assets relating to certain types of schools. CIPFA and the Audit Commission have recently issued consistent clarification of their views and the Council has incorporated that guidance into these accounts. As a result, the Council has removed from its balance sheet the assets of foundation

schools, which had previously been included in the Council's accounts. On the basis of materiality, this change has been undertaken as a Prior Period Adjustment. Conversely, the Council has brought onto its balance sheet the assets of voluntary controlled schools. This change is not material to the accounts and has consequently been treated as an in-year change.

- Classification of leases – as set out in Note 1b, the adoption of the Code has required the Council to reconsider the classification of its leases between the categories of finance and operating. The distinction between the two categories is not clearly defined in absolute terms and this means an element of judgement has been required to make the assessment in line with best practice. The impact of this assessment process has been that some leases previously treated as operating leases (refuse vehicles) have been reclassified as finance leases and some leases previously treated as finance leases (relating to schools) have been reclassified as operating leases.
- Grant recognition – similarly, the adoption of the Code has required reconsideration of the extent to which grants are encumbered by conditions and the extent to which any such conditions have been met. This dictates the extent to which grants are recognised as income through the CIES. Again, this judgement is not always as clear as might be envisaged and again, it has lead to a number of changes to the comparative figures as set out in Note 1b.

Note 4 Assumptions made about the Future and other major sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are included on the basis of valuations and assessed useful lives determined by the Council's Chief Valuer on the basis of condition surveys and standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS). The assumptions underlying such valuations and the assessment of useful lives are subject to revision and the valuation would therefore be expected to change accordingly.	The impact of a change in valuation or useful life would be to affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment in the CIES. These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected return on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Those assumptions are detailed in Note 47 to the accounts.	The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES. These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.
Lease Assets / Liabilities	Where available, contractual information is used to establish the correct accounting treatment of a lease and to estimate the values of assets and liabilities arising under the arrangement. Where insufficient contractual information is available, estimates are made on the basis of available information such as payment schedules.	The impact of changes in such estimates depends on the type of lease concerned, but could potentially affect asset and/or liability figures in the balance sheet and service or other expenditure in the CIES. Very few leases are individually of a size where any estimation uncertainty could have a material impact on the accounts.
PFI Assets / Liabilities	PFI assets and liabilities are primarily assessed though reference to contractual information sourced from the operators financial close model. These models are include a number of assumptions on operational and wider economic factors, such as lifecycle costs and interest rates.	Once established on the balance sheet, the assets relating to such contracts are valued in the same manner as other non-current assets and the liabilities are written down in a predictable manner.
Financial Instrument Fair Values	The estimation of fair values in respect of financial instruments is done in a variety of different ways, from straightforward reference to market values to counterparty valuations and discounted cashflow modelling. These primarily vary on the basis of the markets' perceptions of likely future interest rate movements.	Changes in the fair values of financial instruments can affect the values of investments and borrowings quoted on the Council's balance sheet and can affect the interest charges recognised in the CIES. These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		receipts.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

Note 5

Material Items of Income and Expense

The Council's Comprehensive Income and Expenditure Account includes the following items which are deemed exceptional by virtue of their size and nature and which, to prevent distortion of other figures in the accounts, have therefore been separately reported.

- A past service gain of £157.234m arising in respect of the change, reported in the UK budget statement of 22 June 2010 by the Chancellor, announcing that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

  This has the effect of reducing the Council's liabilities in the Cornwall Pension Fund by £157.234m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

- Redundancies of £1.978m in relation to the reorganisation of certain Council services into a Lean Neighbourhood Service Operation, through the Neighbourhood Services Integration Programme (NSIP) and the related Client Transformation Programme in the Transportation, Waste and Environment Service (TWE). Whilst the Council has made voluntary redundancies in a number of services, funded in the main out of service budgets, these programmes are deemed exceptional by virtue of their size and scope and in consequence are being funded from corporate resources.

Note 6

Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Resources on 26 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 20 May 2011, the Secretary of State found in favour of the appeal by Sita Cornwall in respect of its planning application to construct and operate the Cornwall Energy Recovery Centre as part of the Council's waste PFI project. The delay to the original contract timescale caused by extended planning process means that the significant elements of the contract will require to be renegotiated. The Council will be working with Sita Cornwall to develop the necessary revised contractual arrangements. Since this decision affects the future costs associated with the contract but does not give rise to any additional liabilities at the balance sheet date, it has been treated as a non-adjusting event and no changes are reflected in the accounts for 2010/11. Further detail is provided in Note 42.

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11			**Movement in Usable Reserves**			
Adjustments primarily involving:-	**General Fund Balance £m**	**Housing Revenue Account £m**	**Capital Receipts Reserve £m**	**Capital Grants Unapplied £m**	**Major Repairs Reserve £m**	**Movement in Unusable Reserves £m**
Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement :						
Charges for depreciation and impairment of non current assets	(43.946)	(4.978)	-	-	(6.719)	55.643
Revaluation losses on Property, Plant and Equipment	(104.127)	(146.280)	-	-	-	250.407
Amortisation of intangible assets	(0.785)	(0.028)	-	-	-	0.813
Capital grants and contributions applied	52.157	0.263	-	(0.364)	-	(52.056)
Revenue expenditure funded from capital under statute	(6.282)	-	-	-	-	6.282
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4.334)	0.622	(6.198)	-	-	9.910
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	21.283	-	-	-	-	(21.283)
Capital expenditure charged against the General Fund and HRA balances	0.965	0.611	-	-	-	(1.576)
Long Term Debtors/Loans - Arrangements and Repayments	-	-	(0.247)	-	-	0.247
Capital Grants Unapplied Account:						
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	0.186	-	(0.186)
Capital Receipts Reserve:						
Use of Capital Receipts to finance new capital expenditure	-	-	0.112	-	-	(0.112)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0.735)	-	0.735	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	(0.073)	-	-	0.073
Major Repairs Reserve:						
Use of the Major Repairs Reserve to finance new capital expenditure		-	-	-	7.029	(7.029)
Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statute	4.174	0.122	-	-	-	(4.296)
Pensions Reserve:						
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	83.697	(0.659)	-	-	-	(83.038)
Employer's pensions contributions and direct payments to pensioners payable in the year	46.566	0.412	-	-	-	(46.978)
Collection Fund Adjustment Account:						
Amount by which council tax income credited to Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statute	6.350	-	-	-	-	(6.350)
Accumulated Absences Account:						
Amount by which officer remuneration charged to Comprehensiv Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statute	(0.504)	(0.003)	-	-	-	0.507
Total Adjustments	54.479	(149.918)	(5.671)	(0.178)	0.310	100.978

Adjustments between accounting basis and funding basis under regulations 2009/10 Comparative Figures

	Movement in Usable Reserves					
Adjustments primarily involving:-	**General Fund Balance £m**	**Housing Revenue Account £m**	**Capital Receipts Reserve £m**	**Capital Grants Unapplied £m**	**Major Repairs Reserve £m**	**Movement in Unusable Reserves £m**
Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement :						
Charges for depreciation and impairment of non current assets	(44.908)	(5.000)	-	-	-	49.908
Revaluation losses on Property, Plant and Equipment	(109.643)	(8.794)	-	-	-	118.437
Amortisation of intangible assets	(1.242)	-	-	-	-	1.242
Revenue expenditure funded from capital under statute	(10.444)	-	-	-	-	10.444
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.482	(1.880)	(2.643)	-	-	4.041
Derecognition of PFI Gain	17.714	-	-			(17.714)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	20.092	-	-	-	-	(20.092)
Capital expenditure charged against the General Fund and HRA balances	9.012	2.690	-	-	(6.282)	(5.420)
Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	55.899	0.302	-	(1.413)	-	(54.788)
Capital Receipts Reserve:						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0.194)	-	0.194	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	(0.109)			0.109
Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	-	-		(6.593)	6.593
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	6.282	(6.282)
Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statute	(0.667)	0.028	-	-	-	0.639
Pensions Reserve:						
Reversal of items relating to retirement benefits debited/credited to the Comprehensive Income and Expenditure Statement	(59.620)	(0.409)	-	-	-	60.029
Employer's pensions contributions and direct payments to pensioners payable in the year	53.380	0.352	-	-	-	(53.732)
Collection Fund Adjustment Account:						
Amount by which council tax income credited to Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statute	(0.005)	-	-	-	-	0.005
Accumulated Absences Account:						
Amount by which officer remuneration charged to Comprehensiv Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statute	(2.178)	(0.006)	-	-	-	2.184
Other movements	(0.001)	0.001	-	-	-	-
Total Adjustments	(72.323)	(12.716)	(2.558)	(1.413)	(6.593)	95.603

Note 8

Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and the HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1 April 2009 £m	Transfers Out 2009/10 £m	Transfers In 2009/10 £m	Balance 31 March 2010 £m	Transfers Out 2010/11 £m	Transfers In 2010/11 £m	Balance 31 March 2011 £m
General Fund:							
Capital earmarked reserves	-	12.432	(15.932)	(3.500)	(32.308)	14.775	(21.033)
Revenue earmarked reserves							
Central services to the public	(0.212)	-	(0.001)	(0.213)		0.213	-
Cultural, environmental, regulatory and planning	(8.860)	6.177	(3.709)	(6.392)	6.678	(4.633)	(4.347)
Education and children's services	(0.643)	0.682	(0.673)	(0.634)	0.516	(0.537)	(0.655)
Highways and transport services	(0.448)	0.349	(0.207)	(0.306)		0.306	-
Other housing services	(0.476)	0.456	(0.007)	(0.027)		0.015	(0.012)
Adult social care	(1.961)	0.605	(0.286)	(1.642)	(0.030)	0.870	(0.802)
Fire and rescue services	(0.463)	0.384	(0.120)	(0.199)		0.199	-
Corporate reserves	(2.174)	8.481	(7.913)	(1.606)	6.203	(9.217)	(4.620)
Trading accounts	(1.480)	6.545	(7.155)	(2.090)	6.043	(4.629)	(0.676)
PFI reserves	(40.494)	40.907	(51.446)	(51.033)	30.109	(34.612)	(55.536)
Icelandic investment reserve	(3.000)	-	(2.400)	(5.400)	2.539	(1.389)	(4.250)
Insurance reserve	(2.220)	3.267	(7.649)	(6.807)	11.320	(11.810)	(7.297)
Other general reserves	(4.570)	3.407	(2.217)	(3.175)	3.259	(1.545)	(1.461)
Total	**(67.001)**	**83.692**	**(99.715)**	**(83.024)**	**34.329**	**(51.994)**	**(100.689)**

Note 9

Other Operating Expenditure

	31 March 2011 £m	Restated 31 March 2010 £m
Parish council precepts	10.860	10.157
Net (Surplus)/Deficit on Trading Accounts	(0.661)	0.083
Payments to the Government Capital Housing Receipts Pool	0.735	0.194
(Gains)/losses on the disposal of non-current assets	3.294	1.695
Total	**14.228**	**12.129**

Note 10

Financing and Investment Income and Expenditure

	31 March 2011 £m	Restated 31 March 2010 £m
Interest payable and similar charges	30.402	32.383
Pensions interest cost and expected return on pensions assets	27.734	31.576
Interest receivable and similar income	(6.818)	(10.054)
Impairment of investments	(0.389)	0.028
Exceptional gain on PFI termination	-	(17.714)
Other investment income	(1.094)	(0.846)
Total	**49.835**	**35.373**

Note 11 Taxation and Non-specific Grant Income

	31 March 2011 £m	Restated 31 March 2010 £m
Council tax income	(249.114)	(244.452)
Non domestic rates	(186.560)	(166.102)
Non-ringfenced government grants	(65.973)	(67.475)
Capital grants and contributions	(77.354)	(71.279)
Collection Fund Surplus	(6.350)	(0.005)
Total	**(585.351)**	**(549.313)**

Note 12 Property, Plant and Equipment

Movements on Balances 2010/11	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in PPE £m
Cost or Valuation									
At 1 April 2010	**558.938**	**1,096.097**	**85.230**	**448.317**	**22.165**	**9.599**	**29.922**	**2,250.268**	**83.258**
Additions	8.512	29.033	13.181	42.326	0.433	-	32.427	125.912	0.551
Donations	-	-	-	-	-	-	-	-	-
Accumulated Depreciation and Impairment written out to Gross Carrying Amount after Revalution	(11.207)	(18.638)	-	(1.972)	(0.045)	(0.025)	-	(31.887)	(1.275)
Revaluation increases/decreases recognised in the Revaluation Reserve	(1.551)	38.042	-	-	0.047	0.097	-	36.635	(0.022)
Revaluation increases/decreases recognised in the surplus/deficit on the Provision of services	(145.698)	(66.032)	-	(37.521)	(0.069)	(0.672)	(0.182)	(250.174)	(1.068)
Derecognition - disposals	(0.395)	(6.636)	(2.126)	-	-	(0.073)	-	(9.230)	(0.195)
Derecognition - other	-	-	-	-	-		-	-	-
Assets reclassified (to)/from Held for Sale	-	(2.581)	-	-	-	(0.338)	-	(2.919)	-
Assets reclassified (to)/from Other Categorys	(0.357)	17.149	-	(1.817)	4.312	0.240	(19.527)	-	-
Other movements in cost or valuation	(0.015)	(1.013)	6.052	0.001	0.001	0.002	2.325	7.353	5.355
At 31 March 2011	**408.227**	**1,085.421**	**102.337**	**449.334**	**26.844**	**8.830**	**44.965**	**2,125.958**	**86.604**
Accumulated Depreciation and Impairment									
At 1 April 2010	**(11.184)**	**(33.322)**	**(55.619)**	**(72.960)**	**(0.228)**	**(0.079)**	**-**	**(173.392)**	**(1.792)**
Depreciation charge	(11.263)	(18.766)	(10.554)	(11.551)	-	(0.040)	-	(52.174)	(1.015)
Accumulated Depreciation written out to Gross Carrying Amount	11.207	18.638	-	1.972	0.045	0.025	-	31.887	1.275
Accumulated Impairment written out to Gross Carrying Amount	-	-	-	-	-	-	-	-	-
Impairment Losses/(reversal) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment Losses/(reversal) recognised in the surplus/deficit on the Provision of services	-	-	-	(2.964)	-	-	(0.505)	(3.469)	-
Derecognition - disposals	0.006	0.806	1.629	-	-	0.012	-	2.453	-
Derecognition - other	-	-	-	-	-	-	-	-	-
Reclassifications	-	0.045	-	-	-	0.003	-	0.048	-
Other movements in depreciation and impairment	-	(0.557)	(1.043)	-	-	-	-	(1.600)	(0.593)
At 31 March 2011	**(11.234)**	**(33.156)**	**(65.587)**	**(85.503)**	**(0.183)**	**(0.079)**	**(0.505)**	**(196.247)**	**(2.125)**
Net Book Value									
at 31 March 2011	396.993	1,052.265	36.750	363.831	26.661	8.751	44.460	1,929.711	84.479
at 31 March 2010	547.754	1,062.775	29.611	375.357	21.937	9.520	29.922	2,076.876	81.466

Comparative Movements 2009/10	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant, Furniture and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant and Equipment £m	PFI Assets Included in PPE £m
Cost or Valuation									
At 1 April 2009	**569.277**	**1,197.492**	**72.791**	**411.640**	**21.386**	**9.137**	**3.785**	**2,285.508**	**164.410**
Additions	9.795	32.608	12.184	36.700	0.654	0.138	22.686	114.765	1.127
Donations	-		0.030	-		-		0.030	-
Revaluation increases/decreases recognised in the Revaluation Reserve	0.441	(25.700)	-	0.078	0.204	-	-	(24.977)	-
Revaluation increases/decreases recognised in the surplus/deficit on the Provision of services	(18.480)	(135.976)	-	(0.100)	(0.027)	-	0.178	(154.405)	(1.170)
Derecognition - disposals	(2.039)	(1.130)	(2.900)	-	-	(0.280)	-	(6.349)	-
Derecognition - other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	0.150	-	-	-	-	-	0.150	-
Other movements in cost or valuation	(0.056)	28.653	3.125	(0.001)	(0.052)	0.604	3.273	35.546	(81.109)
At 31 March 2010	**558.938**	**1,096.097**	**85.230**	**448.317**	**22.165**	**9.599**	**29.922**	**2,250.268**	**83.258**
Accumulated Depreciation and Impairment									
At 1 April 2009	**(9.762)**	**(36.145)**	**(47.165)**	**(62.805)**	**(0.230)**	**-**	**-**	**(156.107)**	**(0.033)**
Depreciation charge	(11.203)	(23.790)	(10.711)	(10.245)	-	(0.043)	-	(55.992)	(1.217)
Depreciation written out to the Revaluation Reserve	-	-	-	0.089	0.003	-	-	0.092	-
Depreciation written out to the surplus/deficit on the Provision of Services	9.782	26.085	-	-	-	-	-	35.867	-
Impairment Losses/(reversal) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Derecognition - disposals	-	0.478	2.548	-	-	0.015	-	3.041	-
Derecognition - other	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	(0.001)	0.050	(0.291)	0.001	(0.001)	(0.051)	-	(0.293)	(0.542)
At 31 March 2010	**(11.184)**	**(33.322)**	**(55.619)**	**(72.960)**	**(0.228)**	**(0.079)**	**-**	**(173.392)**	**(1.792)**
Net Book Value									
at 31 March 2010	547.754	1,062.775	29.611	375.357	21.937	9.520	29.922	2,076.876	81.466
at 31 March 2009	559.515	1,161.347	25.626	348.835	21.156	9.137	3.785	2,129.401	164.377

Foundation and Voluntary Controlled Schools Prior Period Adjustment

CIPFA and the Audit Commission have recently issued new guidance on the treatment of schools' assets. As a result, the Council has removed from its balance sheet the assets of foundation schools, which had previously been included. Since it represents a material change, this has been shown as a prior period adjustment. The Council has also brought onto its balance sheet the assets of voluntary controlled schools, though this is not material to the accounts and has consequently been treated as an in-year change.

The tables below set out the changes arising as a result of the change in respect of foundation schools:

Effect on Opening Balance Sheet 1 April 2009

	As Previously Stated 1 Apr 2009 £m	As Restated 1 Apr 2009 £m	Change 1 Apr 2009 £m
Property, plant and equipment	97.455	-	(97.455)
Total Net Assets	**97.455**	**-**	**(97.455)**
Unusable Reserves			
Revaluation Reserve	20.069	-	(20.069)
Capital Adjustment Account	77.386	-	(77.386)
Total Net Worth	**97.455**	**-**	**(97.455)**

Effect on Balance Sheet 31 March 2010

	As Previously Stated 2009/10 £m	As Restated 2009/10 £m	Change 2009/10 £m
Property, plant and equipment	80.117	-	(80.117)
Total Net Assets	**80.117**	**-**	**(80.117)**
Unusable Reserves			
Revaluation Reserve	(16.952)	-	16.952
Capital Adjustment Account	(63.165)	-	63.165
Total Net Worth	**(80.117)**	**-**	**80.117**

Effect on Comprehensive Income and Expenditure Statement 2009/10

	As Previously Stated 2009/10 £m	As Restated 2009/10 £m	Change 2009/10 £m
Education and children's services	14.812	-	(14.812)
(Surplus) or deficit on provision of services	14.812	-	(14.812)
Total comprehensive income and expenditure	**14.812**	**-**	**(14.812)**

Effect on Movement in Reserves Statement - Usable Reserves 2009/10

	As Previously Stated 2009/10 £m	As Restated 2009/10 £m	Change 2009/10 £m
Balance as at 31 March 2009	-	-	-
Surplus or Deficit on the Provision of Services	14.812	-	(14.812)
Other Comprehensive Income and Expenditure	-	-	-
Adjustments between the accounting basis and the funding basis under regulations	(14.812)	-	14.812
Increase/Decrease in 2009/10	-	-	-
Balance at 31 March 2010 carried forward	**-**	**-**	**-**

Effect on Movement in Reserves Statement - Unusable Reserves 2009/10

	As Previously Stated 2009/10 £m	As Restated 2009/10 £m	Change 2009/10 £m
Balance as at 31 March 2009	-	-	-
Surplus or Deficit on the Provision of Services	(14.812)	-	14.812
Other Comprehensive Income and Expenditure	-	-	-
Adjustments between the accounting basis and the funding basis under regulations	14.812	-	(14.812)
Increase/Decrease in 2009/10	-	-	-
Balance at 31 March 2010 carried forward	**-**	**-**	**-**

Depreciation

The following useful lives have been used in the calculation of depreciation:

- Council dwellings – 30 years
- Other land and buildings – 40-60 years
- Vehicles, plant, furniture and equipment – 5-15 years
- Infrastructure – 35 years

Capital Commitments

As at the year end the value of significant commitments we have under capital contracts is shown in the table below.

	2010/11 £m	2009/10 £m
Expenditure approved in capital programme	533.809	673.673
Expenditure committed for the following year	242.084	254.409
Significant capital contract commitments (schemes over £1m):		
Heartlands	15.209	14.411
A30 Chiverton Improvement	-	2.980
Newquay Airport	-	8.793
Highways Electrical	3.942	5.430
Camelford Primary School	-	2.821
Carclaze Primary School	-	5.031
Brannel School	5.285	9.141
Pool Innovation Centre	-	1.127
Treviglas Sports Hall	1.587	-
Falmouth Kitchens	1.018	-
Tresillian and Kilkhampton Housing	1.300	-
Fdolcoath Avenue Refurbishment	4.656	-
Hayle Harbour	9.069	-
Tremough Innovation Centre	8.611	-
Gyllyndune Gardens building works	1.648	-
TRAC	1.309	-
A30 Temple to Carblake	1.199	-
CPR Transport	4.764	-
Discover The Extraordinary	1.112	-
Caradon Hill	1.953	-
Total	62.662	49.734

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally, except for council dwellings. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant Furniture and Equipment £m	Infra-structure £m	Community £m	Assets Under Construction £m	Surplus Assets £m	Total £m
Carried at historical cost	-	-	36.750	363.831	-	-	-	**400.581**
Valued at fair value as at:								
31 March 2011	(150.761)	(10.510)	-	-	4.724	14.538	(0.769)	**(142.778)**
31 March 2010	(11.761)	(98.572)	-	-	0.781	26.137	0.383	**(83.032)**
31 March 2009	559.515	915.142	-	-	20.550	3.785	5.539	**1,504.531**
31 March 2008	-	74.492	-	-	0.452	-	0.825	**75.769**
31 March 2007	-	171.713	-	-	0.154	-	2.773	**174.640**
Total Cost or Valuation	**396.993**	**1,052.265**	**36.750**	**363.831**	**26.661**	**44.460**	**8.751**	**1,929.711**

Note 13

Investment Property

The Council has no property classified as investment property, as former investment properties were reclassified as Property Plant and Equipment under the changes to IFRS.

	2010/11 £m	Restated 2009/10 £m
Balance at start of year	-	36.910
Transfers:		
To/from Property, Plant and Equipment	-	(36.910)
Balance at end of the year	**-**	**-**

Note 14

Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets only include purchased licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to the major software suites used by the Council are:

	Intangible Assets £m
3 years	2.343
5 years	0.010
10 years	0.001
	2.354

The carrying amount of intangible assets is amortised on a straight-line basis. Of the £813k amortisation charged to revenue in 2010/11, £719k was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:

	2010/11 Intangible Assets £m	2010/11 Total £m	Restated 2009/10 Intangible Assets £m	Restated 2009/10 Total £m
Balance at start of year:				
Gross carrying amounts	7.998	7.998	8.983	8.983
Accumulated amortisation	(6.992)	(6.992)	(6.041)	(6.041)
Net carrying amount at start of year	1.006	1.006	2.942	2.942
Additions:				
Internal development	2.163	2.163	-	-
Purchases	-	-	1.211	1.211
Amortisation for the period	(0.813)	(0.813)	(1.242)	(1.242)
Other changes	(0.001)	(0.001)	(1.905)	(1.905)
Net carrying amount at end of year	2.354	2.354	1.006	1.006
Comprising:				
Gross carrying amounts	10.160	10.160	7.998	7.998
Accumulated amortisation	(7.806)	(7.806)	(6.992)	(6.992)
	2.354	2.354	1.006	1.006

Note 15

Financial Instruments

Categories of Financial Instrument

The following categories of financial instruments are carried in the Balance Sheet:

	Long-term 31 March 2011 £m	Long-term Restated 31 March 2010 £m	Long-term Restated 1 April 2009 £m	Current 31 March 2011 £m	Current Restated 31 March 2010 £m	Current Restated 1 April 2009 £m
Investments						
Loans and receivables	127.107	156.716	135.711	74.210	44.523	117.048
Available-for-sale financial assets	12.154	12.295	12.197	-	-	-
Interests in Subsidiaries	0.932	0.932	0.933	-	-	-
Total Investments	**140.193**	**169.943**	**148.841**	**74.210**	**44.523**	**117.048**
Debtors						
Financial assets carried at contract amounts	28.227	27.383	27.180	78.121	78.676	101.749
Total Debtors	**28.227**	**27.383**	**27.180**	**78.121**	**78.676**	**101.749**
Borrowings						
Financial liabilities at amortised cost	(505.488)	(504.637)	(506.808)	(17.303)	(7.469)	(57.398)
Financial liabilities at fair value through profit and loss	-	-	-	-	(0.180)	
Total borrowings	**(505.488)**	**(504.637)**	**(506.808)**	**(17.303)**	**(7.649)**	**(57.398)**
Other Long Term Liabilities						
PFI Long Term Liability	(81.362)	(62.525)	(83.989)	-	-	-
Total other long-term liabilities	**(81.362)**	**(62.525)**	**(83.989)**	**-**	**-**	**-**
Creditors						
Financial liabilities carried at contract amount	(0.741)	(0.471)	(0.285)	(123.996)	(107.390)	(115.201)
Total creditors	**(0.741)**	**(0.471)**	**(0.285)**	**(123.996)**	**(107.390)**	**(115.201)**

Interest due to be paid or received within the next 12 months in respect of both long and short term loans and investments is shown within the Current columns in the above table. Instruments which have an option for premature redemption have been categorised according to their final maturity date, rather than assumptions being made regarding the likelihood for premature redemption. The forward contracts entered into in 2009/10 for short-term borrowing in 2010/11 were recognised on the 2009/10 balance sheet as derivatives and appeared as financial liabilities at fair value through profit and loss. These forward contracts were closed out during 2010/11 and no longer constitute a derivative position.

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair values have been determined using a variety of techniques in order to reflect the true fair value as accurately as possible. Predominantly, valuation techniques have been employed with reference to prices quoted in an active market. In respect of some complex instruments, the counterparty to the trade has provided values. For instruments with no optionality, the present value of the cash flows have been used to determine the fair value.

The following assumptions should be noted:

- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate fair value
- No premature repayments have been assumed
- The fair value of trade and other receivables is taken to be the invoiced or billed amount
- No assumptions about credit loss have been made
- For loans from the PWLB premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- Available-for-sale-assets are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market

	31 March 2011		Restated 31 March 2010		Restated 1 April 2009	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Lending						
Loans and receivables - treasury	201.317	207.709	201.225	207.164	252.759	257.750
Financial assets carried at contract amounts	0.028	0.028	0.027	0.027	0.027	0.027

The fair value of investments is greater than the carrying amount which reflects the fact that rates on the investments are higher than the prevailing rates for similar investments at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest above current market rates.

	31 March 2011		Restated 31 March 2010		Restated 1 April 2009	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Borrowing						
Financial liabilities - treasury	(522.791)	(595.472)	(512.286)	(578.981)	(564.206)	(562.591)
Financial liabilities carried at contract amount	(82.103)	(82.103)	(62.996)	(62.996)	(84.274)	(84.274)

The fair value of borrowing is higher than the carrying amount which reflects the fact that the rate of interest on the loans are lower than the prevailing rates for similar instruments as at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

Income, Expense, Gains and Losses	2010/11				Restated 2009/10			
	Financial liabilities measured at amortised cost £m	Financial assets: loans and receivables £m	Financial assets: available for sale £m	Total £m	Financial liabilities measured at amortised cost £m	Financial assets: loans and receivables £m	Financial assets: available for sale £m	Total £m
Interest expense	30.402	-	-	30.402	32.383	-	-	32.383
Reductions in fair value	-	-	-	-	0.180	-	-	0.180
Impairment losses	-	-	-	-	-	0.028	-	0.028
Total expense in surplus or deficit on the Provision of Services	30.402	-	-	30.402	32.563	0.028	-	32.591
Interest income	-	(6.272)	(0.546)	(6.818)	-	(9.498)	(0.556)	(10.054)
Impairment Reversal	-	(0.389)	-	(0.389)	-	-	-	-
Total income in surplus or deficit on the Provision of Services	-	(6.661)	(0.546)	(7.207)	-	(9.498)	(0.556)	(10.054)
Gains on revaluation	-	-	(0.091)	(0.091)	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	0.380	0.380
(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(0.091)	(0.091)	-	-	0.380	0.380
Net (gain)/loss for the year	30.402	(6.661)	(0.637)	23.104	32.563	(9.470)	(0.176)	22.917

Note 16 Inventories

	Salt		Fuel		Other		Provsion for Obsolete Stock		Total	
	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m
Balance outstanding at start of year	0.098	0.183	0.046	0.056	4.730	4.490	(0.138)	(0.162)	4.736	4.567
Purchases	0.514	-	0.677	0.658	13.923	9.191	-	-	15.114	9.849
Recognised as an expense in the year	(0.357)	(0.085)	(0.677)	(0.668)	(13.619)	(8.951)	(0.056)	0.024	(14.709)	(9.680)
Written off balances	-	-	-	-	(0.005)	-	-	-	(0.005)	-
Balance outstanding at year end	**0.255**	**0.098**	**0.046**	**0.046**	**5.029**	**4.730**	**(0.194)**	**(0.138)**	**5.136**	**4.736**

Note 17

Construction Contracts

At 31 March 2011 the Council had two material construction contracts in progress. The value of work completed at 31 March 2011 has been established using a stage of completion methodology based on architects' certificates obtained at year-end. The amount due to the Council at 31 March is as follows:

	Mansells Construction £m	Midas Construction £m
Costs incurred to date	7.495	2.697
Revenue recognised:		
Before 1 April 2010	6.560	2.312
During 2010/11	1.395	0.171
Profit/(loss)	0.460	(0.214)
Advances received	-	-
Gross amount due	1.395	2.483

Note 18

Debtors

	31 March 2011 £m	Restated 31 March 2010 £m
Central government bodies	36.073	29.069
Other local authorities	0.720	0.178
NHS bodies	4.672	6.416
Public corporations and trading funds	0.069	-
Other entities and individuals	36.587	43.013
Total	**78.121**	**78.676**

Note 19

Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2011 £m	Restated 31 March 2010 £m	Restated 1 April 2009 £m
Cash held by the Council	2.088	0.414	0.238
Bank current accounts	(14.386)	(49.061)	(37.365)
Short-term deposits	31.845	18.532	33.321
Total Cash and Cash Equivalents	**19.547**	**(30.115)**	**(3.806)**

Note 20

Assets Held for Sale

	Current 2010/11 £m	Restated 2009/10 £m
Balance outstanding at start of year	**1.137**	**1.937**
Assets newly classified as held for sale:		
Property, Plant and Equipment	2.871	-
Revaluation losses	(0.233)	-
Assets declassified as held for sale:		
Property, Plant and Equipment	(0.001)	(0.150)
Assets sold	(3.133)	(0.650)
Balance outstanding at year-end	**0.641**	**1.137**

Note 21

Creditors

	31 March 2011 £m	Restated 31 March 2010 £m
Central government bodies	(22.191)	(32.015)
Other local authorities	(1.557)	(0.209)
NHS bodies	(4.383)	(0.389)
Public corporations and trading funds	(0.503)	-
Other entities and individuals	(95.362)	(74.777)
Total	**(123.996)**	**(107.390)**

Note 22

Provisions

Provisions are required for any financial liabilities or losses which are likely or certain to be incurred but where the amounts or the dates on which they will arise is uncertain.

All provisions are charged to the appropriate service and can be used only for the purpose for which they were established, except where a review to determine the appropriateness of the level of the charge and the balance of the provision requires a change.

2010/11	Redundancy £m	Insurance £m	Other Long Term £m	Total Long Term £m	Accumulated Absences £m	Other Short Term £m	Total Short Term Provisions £m	Total Provisions £m
Balance as at 31 March 2010	-	(0.347)	(1.100)	(1.447)	(11.968)	-	(11.968)	(13.415)
Additional provisions made in year	(3.080)	-	(1.045)	(4.125)	(12.475)	(1.200)	(13.675)	(17.800)
Amounts used in year	-	-	0.141	0.141	-	-	-	0.141
Unused amounts reversed in year	-	0.347	0.589	0.936	11.968	-	11.968	12.904
Balance as at 31 March 2011	**(3.080)**	**-**	**(1.415)**	**(4.495)**	**(12.475)**	**(1.200)**	**(13.675)**	**(18.170)**

2009/10 Comparative Figures	Redundancy £m	Insurance £m	Other Long Term £m	Total Long Term £m	Accumulated Absences £m	Total Short Term £m	Total Provisions £m
Balance as at 1 April 2009	(4.569)	(5.572)	(2.197)	(12.338)	(9.784)	(9.784)	(22.122)
Additional provisions made in year	-	-	-	-	(11.968)	(11.968)	(11.968)
Amounts used in year	4.569	-	1.097	5.666	-	-	5.666
Unused amounts reversed in year	-	5.225	-	5.225	9.784	9.784	15.009
Balance as at 31 March 2010	**-**	**(0.347)**	**(1.100)**	**(1.447)**	**(11.968)**	**(11.968)**	**(13.415)**

Redundancy

The Redundancy Provision reflects the cost of redundancies notified before 31 March, but where the employees concerned have not left the Council by that date.

Insurance

The majority of the insurance provision was reclassified as a reserve in 2009/10.

Accumulated Absences

The Accumulated Absences Provision has been created under the IFRS regulations. It refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Other Provisions

Other provisions includes a number of smaller amounts, none of which are individually material to the accounts.

Note 23

Usable Reserves

	2010/11 £m	Restated 2009/10 £m	Restated 1 April 09 £m
General Fund Balance	(33.580)	(14.972)	(17.978)
General Fund - Schools Balance	(29.948)	(21.888)	(20.149)
Earmarked General Fund Reserves	(100.689)	(83.024)	(67.001)
Ports Balances	(1.213)	(1.130)	(0.900)
Housing Revenue Account	(2.717)	(3.998)	(6.793)
Capital Receipts Reserve	(25.689)	(20.018)	(17.460)
Capital Grants Reserve	(3.174)	(2.996)	(1.583)
Major Repairs Reserve	(0.294)	(0.604)	(0.293)
Total Usable Reserves	**(197.304)**	**(148.630)**	**(132.157)**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 21.

Note 24

Unusable Reserves

	2010/11	Restated 2009/10	Restated 1 April 09
	£m	£m	£m
Revaluation Reserve	(252.554)	(222.755)	(255.245)
Available for Sale Financial Instruments Reserve	(1.139)	(1.048)	(1.429)
Capital Adjustment Account	(1,043.845)	(1,291.983)	(1,349.879)
Financial Instruments Adjustment Account	17.105	21.401	20.762
Pension Reserve	431.679	868.983	410.004
Deferred Capital Receipts Reserve	(1.191)	(1.264)	(1.373)
Collection Fund Adjustment Account	(7.013)	(0.663)	(0.668)
Accumulated Absences Account	12.475	11.968	9.784
Total Unusable Reserves	**(844.483)**	**(615.361)**	**(1,168.044)**

Revaluation Reserve

The Revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2010/11		Restated 2009/10
	£m	£m	£m
Balance at 1 April		**(222.755)**	**(255.245)**
Opening Balance Adjustments	(0.014)		-
Upward revaluation of assets	(73.904)		(68.022)
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the Provision of Services	37.269		93.179
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services		**(36.649)**	25.157
Difference between fair value depreciation and historical cost depreciation	4.544		6.968
Accumulated gains on assets sold or scrapped	2.306		0.365
Amount written off to the Capital Adjustment Account		**6.850**	7.333
Balance at 31 March		**(252.554)**	**(222.755)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market process or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

Available for Sale Financial Instruments Reserve	2010/11		Restated 2009/10
	£m	£m	£m
Balance at 1 April		**(1.048)**	**(1.429)**
Upward revaluation of investments	(0.091)		
Downward revaluation of investments not charged to the surplus/deficit on the Provision of Services	-		0.381
		(0.091)	(1.048)
Balance at 31 March		**(1.139)**	**(1.048)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arsing from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart form those involving the Revaluation Reserve.

Capital Adjustment Account	2010/11 £m	£m	Restated 2009/10 £m
Balance at 1 April		**(1,291.983)**	**(1,349.879)**
Opening Balance Adjustments	**-**		0.308
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	55.643		49.316
Revaluation losses on Property, Plant and Equipment	250.407		118.437
Amortisation of Intangible assets	0.813		1.242
Revenue expenditure funded from capital under statute	6.282		10.444
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7.604		3.958
Derecognition of PFI Gain	-		(17.714)
		320.749	165.991
Adjusting Amounts written out of the Revaluation Reserve		(4.544)	(6.968)
Net written out amount of the cost of non-current assets consumed in the year		316.205	159.023
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	(0.112)		-
Use of the Major Repairs Reserve to finance new capital expenditure	(7.029)		(6.282)
Reversal of Major Repairs Allowanced Credited to HRA	-		6.593
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(52.056)		(54.788)
Application of grants to capital financing from the Capital Grants Unapplied Account	(0.186)		-
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(21.283)		(20.092)
Capital expenditure charged against the General Fund and HRA balances	(1.576)		(5.420)
Other Capital Financing Arrangements	13.928		(21.138)
		(68.314)	(101.127)
Set up of Long Term Debtors and Laon Agreements			
Repayments of Long Term Debtors and Loan Agreements		0.247	-
Balance at 31 March		**(1,043.845)**	**(1,291.983)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. Discounts received have the opposite entries. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result the balance on the Account as 31 March 2011 will be charged to the General Fund over the next 33 years.

In addition, this account has been used to postpone the impact of the Icelandic bank impairment. Charges made to the Income and Expenditure Account in 2008/09 and 2010/11 were reversed out again under the regulations. This postponement has been reversed in 2010/11 and funded using a specific reserve.

Financial Instruments Adjustment Account	2010/11 £m	2010/11 £m	Restated 2009/10 £m
Balance at 1 April		**21.401**	**20.762**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-		1.902
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(1.279)		(1.291)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(3.017)	0.028
Balance at 31 March		**17.105**	**21.401**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangement will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	2010/11 £m	Restated 2009/10 £m
Balance at 1 April	**868.983**	**410.004**
Actuarial gains or losses on pension assets and liabilities	(307.288)	452.681
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(83.038)	60.029
Employer's pensions contributions and direct payments to pensioners payable in the year	(46.978)	(53.731)
Balance at 31 March	**431.679**	**868.983**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Deferred Capital Receipts Reserve	2010/11 £m	Restated 2009/10 £m
Balance at 1 April	**(1.264)**	**(1.373)**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.073	0.109
Balance at 31 March	**(1.191)**	**(1.264)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2010/11 £m	Restated 2009/10 £m
Balance at 1 April	**(0.663)**	**(0.668)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(6.350)	0.005
Balance at 31 March	**(7.013)**	**(0.663)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact of the General Fund Balance is neutralised by transfers to or from the Account.

Accumulated Absences Account	2010/11 £m	2010/11 £m	Restated 2009/10 £m
Balance at 1 April		**11.968**	**9.784**
Settlement or cancellation of accrual made at the end of the preceding year	(11.968)		(9.784)
Amounts accrued at the end of the current year	12.475		11.968
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.507	2.184
Balance at 31 March		**12.475**	**11.968**

Note 25

Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2010/11 £m	2009/10 £m
Interest Received	(7.153)	(8.838)
Interest Paid	29.955	13.483
Dividends Received	-	-
Net cash flows from operating activities	**22.802**	**4.645**

Note 26

Cash Flow Statement – Investing Activities

	2010/11 £m	2009/10 £m
Purchase of property, plant and equipment, investment property and intangible assets	118.761	118.203
Purchase of short-term and long-term investments	82.000	99.240
Other payments for investing activities	4.163	0.624
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6.613)	(2.321)
Proceeds from short-term and long-term investments	(81.500)	(152.010)
Other receipts from investing activities	(84.296)	(94.285)
Net cash flows from investing activities	**32.515**	**(30.549)**

Note 27

Cash Flow Statement – Financing Activities

	2010/11 £m	2009/10 £m
Cash receipts of short and long-term borrowing	(48.956)	(11.594)
Other receipts from financing activities	4.752	9.237
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1.909	34.758
Repayments of short and long-term borrowing	38.718	63.488
Other payments for investing activities		
Net cash flows from financing activities	**(3.577)**	**95.889**

Note 28

Amounts Reported for Resource Allocation Decisions

Note – certain aspects of the analysis required under this disclosure cannot easily be derived from the council's existing financial system. These require extensive manual reanalysis, which has not been incorporated into these draft statements. The full analysis will be included in the accounts approved for issue in September 2011.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in year

- expenditure on some support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:

Portfolio Income and Expenditure	Leader £m	Corporate Support £m	Housing and Planning £m	Economy and Regeneration £m	Transportation and Highways £m	Waste Management, Climate Change and Historic Environment £m	Community Safety and Neighbourhoods £m	Children's Services £m	Adult Care and Support £m	Customer First £m	Total £m
Fees, charges and other service income											-
Government grants											-
Total Income	-	-	-	-	-	-	-	-	-	-	-
Employee expenses											-
Other service expenses											-
Support service recharges											-
Total Expenditure	-	-	-	-	-	-	-	-	-	-	-
Net Expenditure	-	-	-	-	-	-	-	-	-	-	-

To Be Completed

Portfolio Income and Expenditure Comparative Figures 2009/10	Leader £m	Corporate Support £m	Housing £m	Economy and Regeneration £m	Transport & Planning £m	Waste and Environment £m	Health and Wellbeing £m	Children's Services £m	Adult Care and Support £m	Stronger Communities £m	Total £m
Fees, charges and other service income	(0.537)	(18.839)	(4.343)	(2.080)	(49.124)	(4.969)	(8.868)	(6.570)	(51.396)	(3.846)	(150.572)
Government grants	(0.850)	(211.287)	(0.897)	(4.375)	(9.136)	(4.100)	(7.604)	(68.525)	(28.220)	(2.246)	(337.240)
Total Income	**(1.387)**	**(230.126)**	**(5.240)**	**(6.455)**	**(58.260)**	**(9.069)**	**(16.472)**	**(75.095)**	**(79.616)**	**(6.092)**	**(487.812)**
Employee expenses	4.274	47.015	3.323	2.243	36.559	10.352	16.810	68.454	38.612	35.056	262.698
Other service expenses	3.576	256.556	7.196	14.247	54.106	62.098	12.174	79.431	155.243	9.150	653.777
Total Expenditure	**7.850**	**303.571**	**10.519**	**16.490**	**90.665**	**72.450**	**28.984**	**147.885**	**193.855**	**44.206**	**916.475**
Net Expenditure	**6.463**	**73.445**	**5.279**	**10.035**	**32.405**	**63.381**	**12.512**	**72.790**	**114.239**	**38.114**	**428.663**

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This Reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11 £m	2009/10 £m
Net expenditure in the portfolio analysis	444.714	428.663
Net expenditure of service and support services not included in the Analysis	150.342	11.766
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	13.057	185.482
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(34.521)	(30.102)
Cost of services in the Comprehensive Income and Expenditure Statement	**573.592**	**595.809**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Subjective Analysis 2010/11	Portfolio Analysis £m	Services and Support Services not in Analysis £m	Amounts not reported to management for decision making £m	Amounts not included in the I&E £m	Allocation of Recharges £m	Cost of Services £m	Corporate Accounts £m	Total £m
Fees, charges and other service income								-
Surplus or deficit on associates and joint ventures								-
Interest and investment income								-
Income from council tax								-
Government grants and contributions								-
Total Income					-	-	-	-
Employee expenses								-
Other service expenses								-
Support service recharges								-
Depreciation, amortisation and impairment								-
Interest payments								-
Precepts and levies								-
Payments to Housing Capital Receipts Pool								-
Gain or loss on disposal of fixed assets								-
Total Expenditure	-	-	-	-	-	-	-	-
Surplus or deficit on the provision of services	-	-	-	-	-	-	-	-

To Be Completed

Reconciliation to Subjective Analysis Comparative Figures 2009/10	Portfolio Analysis £m	Services and Support Services not in Analysis £m	Amounts not reported to management for decision making £m	Amounts not included in the I&E £m	Allocation of Recharges £m	Cost of Services £m	Corporate Accounts £m	Total £m
Fees, charges and other service income	(140.518)	(34.475)	-	-	-	0.611	(18.560)	(192.942)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	(10.054)	-	-	-	-	-	-	(10.054)
Income from council tax	-	-	-	-	-	-	(244.457)	(244.457)
Government grants and contributions	(337.240)	-	-	-	-	-	(304.856)	(642.096)
Total Income	**(487.812)**	**(34.475)**	**-**	**-**	**-**	**0.611**	**(567.873)**	**(1,089.549)**
Employee expenses	262.698	3.454	-	-	-	(22.932)	-	243.220
Other service expenses	630.122	22.400	-	-	-	26.257	31.618	710.397
Support service recharges	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	20.387	-		-	165.114	-	185.501
Interest payments	23.655	-	-	-	-	-	8.728	32.383
Precepts and levies	-	-	-	-	-	-	10.157	10.157
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	0.194	0.194
Gain or loss on disposal of fixed assets	-	-	-	-	-	-	1.695	1.695
Total Expenditure	**916.475**	**46.241**	**-**	**-**	**-**	**168.439**	**52.392**	**1,183.547**
Surplus or deficit on the provision of services	**428.663**	**11.766**	**-**	**-**	**-**	**169.050**	**(515.481)**	**93.998**

Note 29

Acquired and Discontinued Operations

The Council has no acquired or discontinued operations to report for 2010/11 in its single entity accounts. The results of CPR Regeneration are report as an acquired operation in the Council's Group Accounts.

Note 30

Trading Operations

The Council has a number of trading units where service managers are required to operate in a commercial environment and balance their budgets by generating income from other parts of the Council or other organisations.

CORMAC

The Highways Service is run to provide a cost-effective and efficient Highway Maintenance Service to the Council. The trading objective is to make an agreed surplus to return to the Council.

Mechanical Engineering Workshops (MEW)

MEW works as a commercial garage, the vast majority of their work is to maintain the internal vehicle fleet but alongside this they do external work including general repairs, taxi tests and MOTs. The trading objective is to make an agreed surplus to return to the Council.

Commercial Services

The Council continues to operate the former Direct Services Organisation (DSO) as a trading unit for Cleaning, Grounds Maintenance and Education Catering. They operate under a number of internal service level agreements mainly with schools and the trading objective is to make a surplus.

Central Transport Organisation (CTO)

CTO is, in effect, a vehicle hire company which provides vehicles and plant to the Council and some external clients for a competitive hire rate. The trading objective is to make an agreed surplus to return to the replacement fund so that new vehicles can be purchased as and when necessary.

Education Business Units

Cornwall Learning brings together the expertise and experience of a range of teams to focus on improving standards, aspirations and skills of children, young people and those working with them.

Other trading services

Other trading services consist of Tremorvah Industries, Notter Bridge Training Unit and Castle-an-Dinas Quarry.

Trading Operations	2010/11 Turnover £m	2010/11 Expend-iture £m	2010/11 (Surplus) or deficit £m	2009/10 Turnover £m	2009/10 Expend-iture £m	2009/10 (Surplus) or deficit £m
CORMAC	(4.744)	4.553	(0.191)	(5.367)	4.149	(1.218)
Mechanical Engineering Workshops	-	(0.054)	(0.054)	(0.955)	0.868	(0.087)
Commercial Services	(6.255)	6.120	(0.135)	(2.599)	2.350	(0.249)
Central Transport Organisation	(8.908)	7.401	(1.507)	(0.526)	1.717	1.191
Education Business Units*	(5.542)	6.699	1.157	(6.023)	6.590	0.567
Other Trading Services	(3.825)	3.894	0.069	(2.280)	2.159	(0.121)
Total	**(29.274)**	**28.613**	**(0.661)**	**(17.750)**	**17.833**	**0.083**

* Turnover excludes Area Based Grant income of £0.700m (2009/10 £0.713m) which is included in general income at the foot of the Comprehensive Income and Expenditure Statement

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of the Council's services to the public (eg CORMAC)

whilst others provide support services to the Council's direct services to the public (eg schools catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure. Only a residual amount of the net (surplus)/deficit on trading operations is charged as Other Operating Income and Expenditure.

	2010/11 £m	2009/10 £m
Net surplus or deficit on trading operations	(0.661)	0.083
Services to the public included in Expenditure of Continuing Operations	-	-
Support services recharged to Expenditure of Continuing Operations	-	-
Net surplus or deficit attributed to Other Operating Expenditure	**(0.661)**	**0.083**

Note 31

Agency Services

The Council does not operate any material agency arrangements.

Note 32

Road Charging Schemes

The Council does not operate any road charging schemes.

Note 33

Pooled Budgets

The Council has entered into two pooled budget arrangements with the Cornwall and Isles of Scilly Primary Care Trust as follows:

Mental Health Pooled Fund – objective is to provide a fully integrated service to mental health clients.

Mental Health Pooled Fund

	2010/11 £m		2009/10 £m	
Funding provided to the pooled budget:				
Cornwall Council - Adult Care & Support	(6.608)		(6.608)	
Cornwall & Isles of Scilly PCT	(40.734)		(40.734)	
		(47.342)		(47.342)
Expenditure met from the pooled budget:				
Cornwall Council - Adult Care & Support	6.592		6.563	
Cornwall & Isles of Scilly PCT	40.634		40.671	
		47.226		47.234
Net surplus arising on the pooled budget during the year		(0.116)		(0.108)
Council share of the net surplus arising on the pooled budget		(0.016)		(0.045)

Integrating Community Equipment Services – objective is to provide a pool for the effective procurement of health and social care equipment in Cornwall.

Integrating Community Equipment Services

	2010/11 £m		2009/10 £m	
Funding provided to the pooled budget:				
Cornwall Council - Adult Care & Support	(1.021)		(0.943)	
Cornwall Council - Children's Services	(0.276)		(0.105)	
Cornwall & Isles of Scilly PCT	(2.089)		(1.745)	
Royal Cornwall Hospital Trust	(0.212)		-	
		(3.598)		(2.793)
Expenditure met from the pooled budget:				
Cornwall Council - Adult Care & Support	1.127		1.064	
Cornwall Council - Children's Services	0.270		0.054	
Cornwall & Isles of Scilly PCT	2.421		2.050	
Royal Cornwall Hospital Trust	0.179		-	
		3.997		3.168
Net deficit arising on the pooled budget during the year		0.399		0.375
Council share of the net deficit arising on the pooled budget		0.151		0.070

Note 34

Member's Allowances

The Council paid the following amounts to members of the Council during the year.

	2010/11 £m	2009/10 £m
Remuneration paid during the year:		
Salaries	-	-
Allowances	1.843	1.725
Expenses	0.018	0.019
Travel	0.161	0.181
Total	**2.022**	**1.925**

Note 35

Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

		Notes	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for loss of office £	Pension Contribution £	Total £
Kevin Lavery (Chief Executive)	2010/11	1	197,500	-	9,527	-	38,315	**245,342**
	2009/10		200,000	-	-	-	38,800	238,800
Assistant Chief Executive	2010/11	2	90,146	-	5,082	-	17,488	**112,716**
	2009/10		110,000	-	-	-	21,340	131,340
Corporate Director for Adult Care and Support	2010/11	3	123,750	-	8,861	-	24,007	**156,618**
	2009/10		120,000	-	-	-	23,280	143,280
Corporate Director for Communities	2010/11		140,000	-	97	-	27,160	**167,257**
	2009/10		140,000	-	-	-	27,160	167,160
Corporate Director for Resources	2010/11	4	58,333	-	-	-	11,316	**69,649**
	2009/10	5	127,742	-	-	78,750	24,782	231,274
Head of Legal and Democratic Services (Monitoring Officer)	2010/11	6	100,246	-	-	-	17,488	**117,734**
	2009/10		89,838	-	-	-	17,428	107,266
Corporate Director for Environment, Planning and Economy	2010/11	7	133,750	-	3,270	-	25,947	**162,967**
	2009/10		130,000	-	-	-	25,220	155,220
Corporate Director for Children, Schools and Families	2010/11	8	121,559	-	-	-	23,582	**145,141**
	2009/10	9	65,000	-	-	n/a	12,610	77,610

Notes

1 Chief Executive - will draw 95% of salary from 01/01/2011. Expenses primarily in relation to relocation

2 Assistant Chief Executive - Expenses in relation to provided car on terms carried over from North Cornwall District Council. These will expire in April 2012 and no provided car will be supplied from that date..

3 Corporate Director for Adult Care and Support - had a pay increase on 01/07/2010. The new annualised salary of this post is £125,000 Expenses primarily in relation to relocation

4 Corporate Director for Resources - the post was filled by a permanent employee from 01/11/2010. The annualised salary of this post is £140,000

5 Corporate Director for Resources - the previous post holder left on 11/03/2010. The annualised salary of this post was £135,000

6 Head of Legal and Democratic Services (Monitoring Officer) - received a one-off payment in respect of annual leave foregone

7 Corporate Director for Environment, Planning and Economy - had a pay increase on 01/07/2010. The new annualised salary of this post is £135,000. Expenses in relation to provided car

8 Corporate Director for Children, Schools and Families - the post was filled by a permanent employee from 19/05/2010. The annualised salary of this post is £140,000

9 Corporate Director for Children, Schools and Families - the postholder left on 07/10/2009. The annualised salary of this post was £130,000. The compensation for loss of office relating to this post is protected by a duty of confidentiality by virtue of a legal agreement

The Council's other employees (including school-based staff) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid as shown in the salary bands in the table below. The table shows the total split between:

- School Staff – includes teachers and other school-based staff
- Other Staff – other Council employees

Remuneration Bands (£): **Number of Employees**

From	To	2010/11 School Staff	2010/11 Other Staff	2010/11 Total	2009/10 School Staff	2009/10 Other Staff	2009/10 Total
50,000	54,999	139	71	**210**	150	88	**238**
55,000	59,999	64	50	**114**	60	41	**101**
60,000	64,999	45	26	**71**	32	29	**61**
65,000	69,999	13	21	**34**	16	22	**38**
70,000	74,999	9	5	**14**	11	14	**25**
75,000	79,999	8	11	**19**	6	14	**20**
80,000	84,999	4	4	**8**	5	10	**15**
85,000	89,999	6	6	**12**	5	10	**15**
90,000	94,999	4	4	**8**	2	4	**6**
95,000	99,999	1	4	**5**	2	4	**6**
100,000	104,999	1	3	**4**	1	5	**6**
105,000	109,999	1	-	**1**	-	-	**-**
110,000	114,999	-	-	**-**	1	2	**3**
115,000	119,999	-	-	**-**	-	3	**3**
120,000	124,999	-	2	**2**	-	7	**7**
125,000	129,999	-	-	**-**	-	4	**4**
130,000	134,999	-	2	**2**	-	-	**-**
135,000	139,999	-	1	**1**	-	2	**2**
140,000	144,999	-	1	**1**	-	2	**2**
145,000	149,999	-	-	**-**	-	1	**1**
150,000	154,999	-	-	**-**	-	-	**-**
155,000	159,999	-	-	**-**	-	1	**1**
↓							
185,000	189,999	-	-	**-**	-	1	**1**
195,000	199,999	-	-	**-**	-	-	**-**
200,000	204,999	-	-	**-**	-	1	**1**
205,000	209,999	-	1	**1**	-	1	**1**
		295	**212**	**507**	**291**	**266**	**557**

Note 36

External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2010/11 £m	2009/10 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.340	0.305
Fees payable in respect of statutory inspections	0.267	0.271
Fees payable for the certification of grant claims and returns for the year	0.042	0.102
Fees payable in respect of other services provided during the year	0.001	0.009
Total	**0.650**	**0.687**

Note 37

Dedicated Schools Grant

Our spending on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, through the Dedicated Schools Grant (DSG). The DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into budget shares for each maintained school.

	2010/11 Central Expenditure £m	Individual Schools Budgets £m	Total £m
Final DSG for 2010/11	27.437	247.162	**274.599**
Plus Brought forward from 2009/10	2.344	0.031	**2.375**
Agreed budgeted distribution in 2010/11	29.781	247.193	276.974
Less			
Actual Central Expenditure	25.868	-	**25.868**
Actual Individual Schools Budgets deployed to schools	-	246.542	**246.542**
Carry forward to 2010/11	3.913	0.651	**4.564**

Note 38

Grant Income

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2010/11 £m	Restated 2009/10 £m	Restated 1 April 09 £m
Capital Grants Receipts in Advance			
Department for Communities and Local Government	(16.726)	(12.980)	(1.542)
Department for Chldren, Schools and Families	(25.127)	(26.153)	(23.842)
Department for Environment, Food and Rural Affairs	(0.179)	(0.192)	(0.192)
Department for Energy & Climate Change	(0.025)	-	-
Department for Transport	(0.488)	(0.875)	-
Department of Health	(0.652)	(0.291)	(0.034)
European Regional Development Fund	-	(0.006)	(0.009)
Environment Agency	(0.064)	-	-
Homes & Communities Agency	(0.234)	-	-
Learning Skills Council	(0.038)	(0.058)	(0.059)
South West Regional Development Agency	(2.859)	(3.701)	(1.841)
Other	(11.655)	(1.189)	(6.079)
Total	**(58.047)**	**(45.445)**	**(33.598)**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £m	2009/10 £m
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(27.090)	(38.339)
NNDR Redistribution	(186.560)	(166.102)
Area Based Grant (ABG)	(38.883)	(28.750)
Local Authority Business Growth Incentive (LABGI) Grant	-	(0.386)
Total	**(252.533)**	**(233.577)**
Credited to Services		
Education and Children's Services		
Dedicated Schools Grant	(274.599)	(268.096)
Standards Fund	(48.848)	(41.226)
Sure Start Early Years and Childcare Grant	(15.235)	(12.772)
Further Education Funding	-	(1.357)
Sixth Forms Funding	(16.185)	(16.486)
Learning Skills Council	(2.917)	(2.128)
YPLA 16-18 Grant	(18.327)	-
Highways and Transport Services		
Concessionary Fares	(3.484)	(3.391)
Adult Social Care		
Social Care Reform	(2.346)	(1.922)
Learning Disability Campus Closure Programme	(2.600)	(1.581)
Supporting People Grant - Social Care	(0.238)	(13.575)
Central Services to the Public		
Housing Benefit and Council Tax Administration Grant	(4.582)	(5.145)
Council Tax Benefit Subsidy	(45.194)	(41.727)
Mandatory Rent Allowances: subsidy	(139.836)	(126.933)
Mandatory Rent Rebates outside HRA: subsidy	(3.111)	(2.881)
Local Authority Housing (HRA)		
Rent Rebates Granted to HRA Tenants: subsidy	(19.936)	(19.638)
Cultural, Environmental, Regulatory and Planning		
Housing Planning Delivery Grant	-	(1.570)
European Social Fund	(4.028)	(1.881)
Customer First		
Learning Skills Council	(4.575)	(5.691)
Private Finance Initiative (PFI) Grant	(16.429)	(16.429)
Other Revenue Grants	(19.312)	(13.406)
Total	**(641.782)**	**(597.835)**

Note 39

Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 38.

Members

Members of the Council have direct control over the Council's financial and operating policies.

The total of the allowances paid to Members' in 2010/11 is shown in Note 34.

At formal committee meetings, Members are expected to make formal declarations of interest if there is an interest that could have an effect on any of the agenda items being discussed. Details of each Member's declarations of interest are recorded by Committee Services and are open to public inspection on the Council's website. A review of the information contained in the declarations of interest for each of the 123 councillors for 2010/11 was carried out.

Additionally, Members were asked to complete a short questionnaire in order to identify any positions held with outside bodies on behalf of the Council or material transactions (over a de minimis level of £10,000) with the Council. Further cross-checks were made against Council's register of significant partnerships, procurement records and commercially available company search information.

The information review and returned questionnaires highlighted a small number of relevant transactions with organisations to which Members were connected:

- Details of transactions with subsidiary companies, associated and jointly controlled entities are provided in note G1 to the Council's Group accounts.
- The Council supports a number of charitable and other not-for profit organisations to which Members are connected in their capacity as a trustees or directors. Relevant declarations were made in respect of these organisations except in one instance, which has since been confirmed by the relevant Member.
- A total of £0.107m was paid to a commercial undertaking in which a Member has an interest. The Member's interest was appropriately disclosed.
- Two Members were connected with organisations which had loans totalling £0.040m outstanding with the Council at 31 March 2011.

Officers

Senior officers could also potentially be in a position to influence the policies of the authority (though this influence is limited by the Council's budgetary control framework and scheme of delegation) and are consequently subject to the same questionnaire as Members.

Two senior officers have been appointed as directors of a company that is a subsidiary of the Council. Apart from through that relationship, no related party transactions were recorded with any key management personnel.

Other Public Bodies (subject to common control by central government)

Pooled Budget Arrangements – the Council has two pooled budget arrangements with the Cornwall and Isles of Scilly Primary Care Trust for the provision of mental health services and integrating community equipment services. Transactions and balances outstanding are detailed in Note 33.

Joint Working Arrangements – the Council has a number of joint working arrangements with other public bodies.

Those with a total turnover of £1m or more are listed below:

	2010/11			2009/10		
	Gross Income £m	Gross Expenditure £m	Council Contribution £m	Gross Income £m	Gross Expenditure £m	Council Contribution £m
Adult Mental Health Joint Commissioning	(47.226)	47.226	6.308	(47.324)	47.234	6.308
Carers Partnership Board	(2.540)	2.540	-	(2.694)	2.694	2.237
Supporting People	(15.134)	15.134	-	(12.776)	14.447	14.204
Inclusion Cornwall	(0.760)	0.760	-	(1.633)	0.728	-
Cornwall & IoS Crime & Disorder Reduction	(0.875)	0.875	-	(1.236)	1.236	-
Cornwall & IoS Drug & Alcohol Action Team	(0.868)	0.868	0.635	(8.252)	8.252	0.950
Cornwall & IoS Youth Justice Board	(1.144)	1.144	0.752	(1.997)	1.997	0.752
Cornwall & IoS Sports Partnership	(1.297)	0.662	-	(1.526)	0.875	-
Cornwall Strategic Partnership	(8.100)	8.100	3.666	(11.157)	11.157	9.769
Devon & Cornwall Safety Camera Partnership	(1.585)	1.258	0.690	(2.476)	2.083	0.701

Pension Fund – Cornwall Council is the administering body for the Cornwall Pension Fund. During the financial year, we charged the fund £0.713m (£0.657m in 2009/10) for expenses incurred in administering the fund.

Entities Controlled or Significantly Influenced by the Council

Companies and joint ventures – the Council has substantial interests in subsidiary companies, associated and jointly controlled entities and is therefore required to produce Group Accounts. All Group entities are related parties and relevant details are disclosed in Note G1 to the Group Accounts.

Other Assisted Organisations – the Council has appointed members or officers to the following organisations which have received more than £0.1m in payments from the Council during the year.

	£m
Coastline Housing Ltd	1.545
Community Energy Plus	1.172
Cornwall Mobility Centre Ltd	0.112
Cornwall Rural Community Council	0.662
Cornwall Wildlife Trust	0.109
Penwith Housing Association	0.885
Penwith Community Development Trust	0.174

Note 40

Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11 £m	2009/10 £m
Opening Capital Financing Requirement	**588.986**	**554.416**
Capital investment		
Property, Plant and Equipment	125.912	114.765
Donated Assets	-	0.030
Intangible Assets	2.163	1.211
Advances to Long-Term Debtors	0.536	0.624
De-minimis Capital Expenditure Written Out to Revenue	4.169	1.994
Revenue Expenditure Funded from Capital under Statute	30.278	24.605
Other Property, Plant and Equipment Adjustments in Year	7.363	-
Waste PFI Adjustments	13.728	-
Sources of finance		
Capital receipts	(0.112)	-
Government grants and contributions	(77.928)	(69.866)
Sums set aside from revenue:		
Direct revenue contributions	(11.720)	(11.824)
MRP/loans fund principal	(21.283)	(20.091)
PFR IFRS Restatement Adjustments	-	(6.878)
Closing Capital Financing Requirement	**662.092**	**588.986**
Explanation of movements in year		
Increase in underlying need to borrow (supported by government financial assistance	27.959	35.095
Increase in underlying need to borrow (unsupported by government financial assistance)	64.132	19.282
Assets acquired under finance leases	0.406	0.284
Assets acquired under PFI/PPP contracts	1.892	
Less MRP Payments (see above)	(21.283)	(20.091)
Increase/(decrease) in Capital Financing Requirement	**73.106**	**34.570**

Note 41

Leases

The Council as Lessee

Finance leases

The Council has acquired a number of assets for schools under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £m	Restated 31 March 2010 £m
Vehicles, Plant, Furniture and Equipment	0.460	0.726
	0.460	**0.726**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £m	Restated 31 March 2010 £m
Finance lease liabilities (net present value of minimum lease payments):		
current	0.276	0.442
non-current	0.434	0.679
Minimum lease payments	**0.710**	**1.121**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £m	Restated 31 March 2010 £m	31 March 2011 £m	Restated 31 March 2010 £m
Not later than one year	0.276	0.442	0.084	0.303
Later than one year and not later than five years	0.434	0.679	0.376	0.423
Minimum lease payments	**0.710**	**1.121**	**0.460**	**0.726**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Council has not sub-let any assets held under these finance leases.

Operating Leases

The Council has acquired a number of vehicles by entering into operating leases with typical lives of 3 years.

The future minimum lease payments due to non-cancellable leases in future years are:

	31 March 2011 £m	Restated 31 March 2010 £m
Not later than one year	3.041	4.526
Later than one year and not later than five years	8.568	13.143
Later than five years	7.350	1.440
	18.959	**19.109**

The expenditure charged to cost of services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2011 £m	Restated 31 March 2010 £m
Minimum lease payments	3.041	4.526
	3.041	**4.526**

The Council as Lessor

Finance leases

The Council has not leased out any assets under a finance lease.

Operating Leases

The Council leases out property and equipment under operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2011 £m	31 March 2010 £m
Not later than one year	3.496	3.597
Later than one year and not later than five years	8.287	9.325
Later than five years	23.284	23.082
	35.067	**36.004**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 42

Private Finance Initiatives and Similar Contracts

Private Finance Initiative (PFI) is an outsourcing method between a public sector body, such as Cornwall Council, and a private sector organisation to deliver public services using infrastructure assets. It transfers responsibility, but not accountability, for the delivery of public services to a private company or companies. The private sector company operates the infrastructure asset and provides finance. The details of each PFI scheme are unique, but it is essentially a way of funding major capital investments. Contracts typically last for up to 30 years, during which time the infrastructure asset is leased by the public sector body.

Fire Stations PFI Scheme

2010/11 was the eighth year of a 25 year PFI contract for the construction of ten new fire stations, the refurbishment of twenty one existing fire stations and the operation and maintenance of all of these stations until the end of the PFI contract in 2028. The services to be provided are controlled through a detailed specification of the services to be provided to the public; the Council is able to specify exactly who receives the services provided and is able to restrict the ability of the operator to offer services to particular categories of users if it so wishes.

The contract specifies the minimum standards that have to be adhered to and also specifies the minimum acceptable condition to which the buildings and any plant and equipment must be maintained. The contractor is obliged to hand over the infrastructure at the end of the contract in a specified condition at nil cost.

Property, plant and equipment

The assets used to provide services for the fire are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Fire PFI Scheme	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest & Contingent Rent £m	Total £m
Payable in 2011/12	0.730	0.140	0.800	**1.670**
Payable within two to five years	3.276	0.620	3.048	**6.944**
Payable within six to ten years	4.278	1.485	3.520	**9.283**
Payable within eleven to fifteen years	4.771	2.628	2.633	**10.032**
Payable within sixteen to twenty years	1.875	1.634	0.735	**4.244**
Total	**14.930**	**6.507**	**10.736**	**32.173**

Although the payments made to the contractor are described as unitary payments they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The outstanding liability to effectively reimburse the contractor for capital expenditure incurred is as follows:

Fire PFI Scheme	**Total £m**
Balance outstanding at start of year	**(6.592)**
Payments during the year	**0.082**
Balance outstanding at year-end	**(6.510)**

PFI Contract Grouped Education Scheme 1

This scheme commenced in March 2001 and included capital and maintenance works to a total of seventeen schools in the Truro and Penryn area for a period of 25 years. The contract was for the operator to undertake the provision of repairs, maintenance and facilities management services in the schools constructed and refurbished under the PFI contract.

However, the contract was awarded at a time of competition between outsourcers and as a result the outsourcer's projections of the costs of managing the assets have proved over-optimistic. This led to the termination of the contract in 2009/10 with a negotiated settlement between Cornwall Council and the operator.

PFI Contract Grouped Education Scheme 2

2010/11 is the eighth of a twenty five year contract for the repairs, maintenance and facilities management services in the schools constructed and refurbished under the contract. The contractor will construct two new schools and upgrade/refurbish a further fifteen existing schools to the standard of the new buildings and operate and maintain the infrastructure for a period of twenty five years.

The contract provides a minimum standard of service to be provided with deductions from the fee payable if facilities are unavailable or if the performance drops below minimum standards. The contract also specifies the minimum acceptable condition to which buildings and plant and machinery must be maintained and also that the buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council at nil cost.

The services to be provided are controlled through a detailed specification of the services to be provided to the public; the Council is able to specify exactly who receives the services provided and is able to restrict the ability of the operator to offer services to particular categories of users if it so wishes.

Property, plant and equipment

The assets used to provide services at the leisure centre are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Education 2 PFI Scheme	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest & Contingent Rent £m	Total £m
Payable in 2011/12	2.830	1.430	4.140	**8.400**
Payable within two to five years	13.143	2.564	15.061	**30.768**
Payable within six to ten years	19.894	5.512	16.537	**41.943**
Payable within eleven to fifteen years	22.565	8.715	13.647	**44.927**
Payable within sixteen to twenty years	23.887	13.028	9.037	**45.952**
Payable within twenty one to twenty five years	9.818	6.958	1.961	**18.737**
Total	**92.137**	**38.207**	**60.383**	**190.727**

Although the payments made to the contractor are described as unitary payments they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The outstanding liability to effectively reimburse the contractor for capital expenditure incurred is as follows:

Education 2 PFI Scheme	Total £m
Balance outstanding at start of year	**(40.011)**
Payments during the year	**1.426**
Balance outstanding at year-end	**(38.585)**

Leisure PFI Scheme

2010/11 was the sixth year of a 30 year PFI contract for the construction and operation of a leisure centre in Penzance. The Council has rights under the PFI contract to specify the services provided, to whom they are provided and to determine the price paid for those services. The contract also sets out the performance standards to be achieved by the contractor with deductions from the contract payment for failure to make the facilities available for use and on non-achievement of monthly and annual performance standards.

The contractor took on the obligation to construct the leisure centre and to maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed

to operate the leisure centre. The leisure centre and any plant and equipment installed within it at the end of the contract term will be transferred to the Council at nil cost. The Council can terminate the contract voluntarily on 30 days notice and also in the event of contractor default.

Property, plant and equipment

The assets used to provide services at the leisure centre are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:-

Penzance Leisure Centre PFI Scheme	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest & Contingent Rent £m	Total £m
Payable in 2011/12	0.300	0.070	0.740	**1.110**
Payable within two to five years	1.315	0.366	2.809	**4.490**
Payable within six to ten years	2.172	0.475	3.084	**5.731**
Payable within eleven to fifteen years	2.791	0.670	2.409	**5.870**
Payable within sixteen to twenty years	2.856	1.455	1.704	**6.015**
Payable within twenty one to twenty five years	2.602	2.333	0.436	**5.371**
Total	**12.036**	**5.369**	**11.182**	**28.587**

Although the payments made to the contractor are described as unitary payments they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The outstanding liability to effectively reimburse the contractor for capital expenditure incurred is as follows:

Penzance Leisure Centre PFI Scheme	Total £m
Balance outstanding at start of year	**(5.415)**
Payments during the year	**0.046**
Balance outstanding at year-end	**(5.369)**

Waste PFI Scheme

2010/11 was the fifth year of a 30 year PFI contract for the construction/upgrading and subsequent operation of a number of waste disposal facilities within Cornwall.

The PFI scheme was split into 2 distinct phases.

Phase 1 - the upgrading and operational of existing and new collection and recycling facilities, along with general refuse collection. Phase 1 became operational during financial year 2006/2007.

Phase 2 - the design, build and subsequent operation of an 'Energy from Waste' processing facility. Phase 2 has been significantly delayed due to planning issues, which have since been resolved.

The Secretary of State has in June 2011 Upheld the PFI scheme's operator's planning review request, and has subsequently granted planning permission – subject to a number of conditions. Previously Cornwall Council had refused planning for the construction of the Energy from Waste Facility to the Operator of the PFI Scheme.

For both Phases of the PFI Scheme the services to be provided are controlled through a detailed specification of the services to be provided to the public; the Council is able to specify exactly who receives the services provided and is able to restrict the ability of the operator to offer services to particular categories of users if it so wishes.

The contract specifies the minimum standards that have to be adhered to and also specifies the minimum acceptable condition to which the buildings and any plant and equipment must be maintained. The contractor is obliged to hand over the infrastructure at the end of the contract in a specified condition at nil cost.

Property, plant and equipment

Phase 1 assets used to provide the facilities for the collection and disposal of Waste are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Once constructed the Energy from Waste facility will also be recognised on the Council's Balance Sheet.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under Phase 1 of the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Waste PFI Scheme	**Payment for Services £m**	**Reimbursement of Capital Expenditure £m**	**Interest & Contingent Rent £m**	**Total £m**
Payable in 2011/12	23.760	(0.160)	9.100	**32.700**
Payable within two to five years	101.990	(3.124)	38.580	**137.446**
Payable within six to ten years	172.220	(1.759)	56.200	**226.661**
Payable within eleven to fifteen years	238.400	(0.617)	61.360	**299.143**
Payable within sixteen to twenty years	327.770	5.431	59.560	**392.761**
Payable within twenty one to twenty five years	449.690	31.524	45.670	**526.884**
Payable within twenty six to thirty years	69.170	3.683	(2.920)	**69.933**
Total	**1,383.000**	**34.978**	**267.550**	**1,685.528**

Although the payments made to the contractor are described as unitary payments they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The outstanding liability to effectively reimburse the contractor for capital expenditure incurred is as follows:

Waste PFI Scheme	**Total £m**
Balance outstanding at start of year	**(24.170)**
Payments during the year	**(4.786)**
Capital expenditure incurred in the year	**(1.941)**
Balance outstanding at year-end	**(30.897)**

No payments have currently been made to the operator of the Waste scheme in relation to the Construction and subsequent operation of the Energy from Waste Facility (phase 2).

Note 43 Impairment Losses

The Council has not suffered any material impairment losses for 2010/11 (also £nil for 2009/10).

Note 44 Capitalisation of Borrowing Costs

The Council has not capitalised any borrowing costs in 2010/11 (also £nil for 2009/10).

Note 45 Termination Benefits

The Council terminated the contracts of a number of employees during the year, incurring total liabilities of £8.802m (£7.354m in 2009/10).

Of this amount £1.978m has been treated as an exceptional item and is detailed in Note 5 (£5.535m in 2009/10).

The remaining amounts are related to a number of smaller scale reorganisations within individual services, including:

- Adult Education
- Commercial Services
- Economic Development
- Cornwall Learning

Note 46 Pension Schemes Accounted for as Defined Contributions Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

Note 47

Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Cornwall Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

Teachers Pension Scheme

This is a notionally-funded, defined benefit scheme that is managed by the Teachers Pension Agency. This means we pay contributions as if it was a funded scheme, when in fact it is not. As a consequence, it is not possible for us to identify our share of the underlying scheme assets and liabilities. Because this scheme is not funded, there is no need for a full actuarial valuation.

We made contributions at a rate of 14.1% in 2010/11 (14.1% for 2009/10), totalling £21.4m for 2010/11 (£21.2m for 2009/10) and we are also responsible for costs relating to added years and associated inflation increases, totalling £2.684m in 2009/10 (£2.474m in 2009/10). Additionally, we are responsible for a percentage of the statutory benefits previously funded by the DfE in cases of early retirement, which amounted to £1.060m in 2009/10 (£1.111m in 2009/10).

Uniformed Fire fighters

Fire fighters have the option of joining one of the Fire Fighters Pension Schemes. The schemes provide defined benefits upon retirement and we contribute towards the costs by making contributions based on a percentage of members' pensionable pay.

In 2010/11, we paid £1.694m (£1.708m in 2009/10) towards fire fighters pensions in respect of fire fighters retirement benefits, representing 17.58% (17.83% in 2009/10) of pensionable pay. There were no contributions remaining payable at the year end.

The schemes are defined benefit schemes. Although the schemes are unfunded, (that is, there are no investment assets), fire fighters pensions use a notional fund as the basis for calculating the employers and employees contribution rates paid by fire authorities.

NHS Pension Scheme

We have 12 employees who are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies allowed under the direction of the Secretary of State, in England

and Wales. As a consequence, it is not possible for us to identify our share of the underlying scheme assets and liabilities. We contributed at a rate of 14% in 2010/11 (14% in 2009/10 totalling £0.030m (£0.031m in 2009/10).

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Cornwall Council Pension Arrangements		Firefighter Pension Arrangements	
	31 March 2011 £m	31 March 2010 £m	31 March 2011 £m	31 March 2010 £m
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current Service Cost	40.330	20.600	4.400	2.100
Past Service Costs	(142.621)	0.333	(14.300)	-
Settlements and Curtailments	1.419	5.420	-	-
Financing and Investment Income and Expenditure				
Interest Cost	83.401	68.376	6.600	6.200
Expected Return on Scheme Assets	(62.267)	(43.000)	-	-
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	(79.738)	51.729	(3.300)	8.300
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial gains and losses	(302.988)	415.781	(4.000)	36.900
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(382.726)	467.510	(7.300)	45.200
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	382.726	(467.510)	7.300	(45.200)
Actual amount charged against the General Fund for pensions in the year				
Employers' contributions payable to the scheme	(43.878)	(50.232)	(3.100)	(3.500)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £233.039m (£540.327m to 31 March 2010) of which £197.239m (£500.227m to 31 March 2010) relates to the LGPS and £35.8m (£40.100m to 31 March 2010) relates to the Firefighters Scheme.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities: Cornwall Council		Unfunded Liabilities: Firefighters	
	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m
Opening Balance as at 1 April	**(1,622.541)**	**(991.886)**	**(132.100)**	**(90.400)**
Current service cost	(40.330)	(20.600)	(4.400)	(2.100)
Interest cost	(83.401)	(68.376)	(6.600)	(6.200)
Contributions by scheme participants	(12.424)	(12.104)	(1.000)	(1.000)
Actuarial gains and losses	299.507	(564.154)	4.000	(36.900)
Benefits paid	46.929	40.332	4.300	4.700
Past service costs	142.621	(0.333)	14.300	-
Transfers in from other authorities	-	-	(0.100)	(0.200)
Curtailments	(1.419)	(5.420)	-	-
Settlements	-	-	-	-
Injury Award Expenditure	-	-	0.200	-
Closing Balance at 31 March	**(1,271.058)**	**(1,622.541)**	**(121.400)**	**(132.100)**

* The firefighters scheme liabilities are split between the old scheme £112.0m (2009/10 £127.8m) and the new scheme £9.4m (2009/10 £4.3m)

Reconciliation of fair value of the scheme assets:

	Cornwall Council Funded Scheme Assets		Firefighter Unfunded Scheme Assets	
	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m
Opening Balance at 1 April	**885.659**	**672.282**	**-**	**-**
Expected rate of return	62.267	43.000	-	-
Actuarial gains and losses	3.481	148.373	-	-
Employer contributions	43.878	50.232	2.900	3.300
Contributions towards injury pension	-	-	0.200	-
Contributions by scheme participants	12.424	12.104	1.000	1.000
Benefits paid	(46.929)	(40.332)	(4.000)	(4.500)
Transfers in from other authorities	-	-	0.100	0.200
Unfunded benefits paid	-	-	(0.200)	-
Settlements	-	-		-
Closing balance at 31 March	**960.780**	**885.659**	**-**	**-**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

In the UK Budget Statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Cornwall Council's liabilities in the Cornwall Council Pension Fund by £157.134m, of which £142.834m relates to the LGPS and £14.4m relates to the Firefighters Scheme.

This has been recognised as a credit to past service costs in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £431.677m (2009/10: £868.983m) has a substantial impact on the net worth of the Council as shown in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £36.211m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Cornwall Council pension scheme and the Firefighters pension scheme liabilities have been valued by Hymans Robertson and Company, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2010.

Discretionary payment liabilities have been calculated by our Council's Pension Fund Section.

	31 March 2011 £m	31 March 2010 £m	*31 March 2009 £m	*31 March 2008 £m	*31 March 2007 £m
Present value of liabilities:					
Cornwall Council	(1,271.059)	(1,622.542)			
Cornwall County Council			(677.399)	(678.898)	(723.600)
Acquired Authorities			(314.487)		
Firefighters	(121.400)	(132.100)	(90.400)	(87.800)	(98.300)
Fair value of assets:					
Cornwall Council	960.780	885.659			
Cornwall County Council			463.894	582.597	582.900
Acquired Authorities			208.388		
Surplus/(deficit) in the scheme:					
Cornwall Council	(310.279)	(736.883)	-	-	-
Cornwall County Council		-	(319.604)	(96.301)	(140.700)
Firefighters	(121.400)	(132.100)	(90.400)	(87.800)	(98.300)
Total	**(431.679)**	**(868.983)**	**(410.004)**	**(184.101)**	**(239.000)**

*The Council has elected not to restate fair value of scheme assets for 2006/07, 2007/08 and 2008/09 as permitted by IAS 19 (as revised).

The principal assumptions used by the actuary have been:

	Cornwall Council Pension Arrangements		Firefighters Pension Arrangements	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Long-term expected rate of return on assets:				
Equity investments	7.5%	7.8%	-	-
Bonds	4.9%	5.0%	-	-
Property	5.5%	5.8%	-	-
Cash	4.6%	4.8%	-	-
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	21.3	20.8	27.9	27.6
Women	23.4	24.1	30.8	31.0
Longevity at 65 for future pensioners:				
Men	23.2	22.3	29.5	29.2
Women	25.6	25.7	32.3	32.7
Rate of inflation	2.8%	3.8%	3.6%	3.8%
Rate of increase in salaries	5.1%	5.8%	4.6%	5.3%
Rate of increase in pensions	2.8%	3.8%	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum:				
For membership prior to 1 April 2008	40%	40%	-	-
For membership post 1 April 2008	70%	70%	-	-

The Firefighters arrangement has no assets to cover its liabilities. The Council's Pensions Scheme's assets consist of the following categories, by proportion of the total assets held.

	31 March 2011 %	31 March 2010 %
Equity Investments	72.0	72.0
Bonds	14.0	15.0
Other Assets:		
Property	7.0	6.0
Cash	7.0	7.0
Total	**100.0**	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
Cornwall Council:					
Differences between the expected and actual return on assets	0.36	16.75	(38.64)	(9.81)	2.55
Experience gains/(losses) on liabilities	5.77	(0.26)	2.86	(3.52)	(0.40)
Firefighters:					
Experience gains and (losses) on liabilities	1.81	0.61	1.55	(4.67)	0.81

Further information can be found in the Pension Fund Annual Report, which is available upon request from County Hall, Truro, TR1 3AY.

Note 48

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or a present obligation that arises from past events but is not recognised because:

(i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Our Liability in Respect of Waste Disposal Sites

The Council is responsible for a number of closed waste disposal sites which, regardless of the ongoing maintenance of each, could result in unforeseen costs to the Council whilst the sites settle. Whilst it is possible that the Council may incur additional costs, it is not possible to reliably estimate these costs and so a contingent liability has been recognised.

During 2006/07, the remaining operational waste management sites were transferred to SITA under the Integrated Waste Management Contract. Prior to this occurring, the sites were owned and managed by County Environmental Services Ltd (CES) which was a wholly owned subsidiary of the Council. Although any liability in relation to environmental impairment is the responsibility of SITA from the date of transfer, the Council remains liable for any claims due to environmental impairment which relate to the period that CES owned the sites. As it is not possible to reliably estimate these costs a contingent liability has been recognised in the financial statements.

Note 49

Contingent Assets

The Council has no material contingent assets.

Note 50

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The over-riding objective of the Council's Treasury Management Strategy is to seek to minimise the risks inherent within the treasury operations and the framework within which the risks are managed is contained within the Council's detailed Treasury Management Practices. Sophisticated techniques for managing risk are being utilised to further improve the risk profile of the portfolios.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The risk is minimised through the Annual Investment Strategy which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria.

Caution is exercised in determining the creditworthiness of investment counterparties, even if they meet the minimum criteria above. In the event that any institutions are at the minimum criteria and are on negative rating watch, monies are not placed with that organisation until such time that the negative outlook is revised.

Geographical limits are considered to ensure an appropriate spread of risk. Sovereign ratings will be taken account of when placing funds with institutions outside of the UK.

In addition, the Council monitors Credit Default Swap Spreads which also contribute to forming a view of the creditworthiness of the investment counterparties. Market intelligence is also considered before entering into any investments with proposed counterparties meeting the minimum criteria.

The Council had £9m exposure to the Icelandic Bank Landsbanki at the time of its collapse in October 2008. The relevant investments were impaired accordingly in 2008/09 accounts with further adjustments in 2009/10 and 2010/11 in line with guidance.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, within individual credit limits being set in accordance with parameters set by the Council.

The Council's maximum exposure to risk in relation to investments in banks and building societies was £332m in December 2010. This cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principle sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at March 2011 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2011 £m A	Historical experience of default £m B	Historical experience adjusted for market conditions at 31 March 2011 % C	Estimated maximum exposure to default and uncollect-ibility £m (AxC)	Estimated maximum exposure at 31 March 2010 £m
Bonds	12.295	0.00%	0.00%	-	-
Customers (short term debtors)	78.121	0.46%	0.46%	0.359	0.334
				0.359	**0.334**

The Council does not generally allow credit at the outset of providing goods and services with the standard payment terms being 28 days from the date of invoice. However, there are certain exceptions to this, the main one being the granting of rent in advance/deposit loans to assist in housing individuals as it is cheaper to secure housing through a private landlord than it is to house them in temporary accommodation, such as B&Bs. Although this exposes the Council to a potential credit risk, it is deemed that financially the benefits far outweigh the negatives. In total, we have approximately £1.25m subject to instalment agreements.

The total sundry debt owing to the Council is £16.009m (2009/10 £18.390m).

The age debt profile (including credit agreements) can be analysed as follows:

	31 March 2011 £m	31 March 2010 £m
Less than three months	10.258	12.790
Three to six months	1.256	0.685
Six months to one year	0.895	0.897
More than one year	3.600	4.018
	16.009	**18.390**

Against the age profile, bad debt provisions are held totalling £16.009m (2009/10 £6.116m). These have been set in accordance with the Council's Corporate Bad Debt policy. The policy takes a considered view of the likelihood of a debt becoming unrecoverable based initially on the status the debt has reached across four categories: legal action (100% provision), insolvency proceedings (100% provision), with third party collection agents (65% provision)

and instalment payers (15% provision). Finance staff supporting individual services are then responsible for setting a general provision against the remaining debt. Special attention is given to any debts over £20,000, which are considered on a case by case basis.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Council has ready access to borrowings from the money markets and the Public Works Loans Board. Instead, the Council needs to ensure there is sufficient liquidity within the investment portfolio, which is achieved by placing limits on the proportion of investments maturing in relevant time periods, as well as investing in available for sale financial assets.

The Council recognise not all financial instruments may not run to their final maturity date as some instruments provide the counterparty with an option to prematurely cancel. The tables below show maturity analysis both for the final maturity date and the next option date.

The maturity analysis of financial liabilities and financial assets is as follows:

	Financial Liabilities £m	Financial Assets £m	Net £m
Less than one year	17.091	(118.209)	(101.118)
Between one and two years	0.400	(12.091)	(11.691)
Between two and five years	1.000	(115.000)	(114.000)
Between five and ten years	-	-	-
Between ten and twenty years	-	-	-
Between twenty and fifty years	186.142	-	186.142
More than fifty years	317.946	-	317.946
	522.579	**(245.300)**	**277.279**

All other amounts due to the council for council tax, non-domestic rates and other income are due to be paid in less than one year.

The category for financial assets maturing in less than one year includes investments which are available for sale - thus enabling liquidity in the event it is required.

The maturity analysis, based on the next option date, of financial liabilities and financial assets is as follows:-

	Financial Liabilities £m	Financial Assets £m	Net £m
Less than one year	73.091	(123.209)	(50.118)
Between one and two years	29.542	(12.091)	17.451
Between two and five years	45.600	(110.000)	(64.400)
Between five and ten years	110.000	-	110.000
Between ten and twenty years	107.346	-	107.346
Between twenty and fifty years	157.000	-	157.000
More than fifty years	-	-	-
	522.579	**(245.300)**	**277.279**

All other amounts due to the council for council tax, non-domestic rates and other income are due to be paid in less than one year.

The category for financial assets maturing in less than one year includes investments which are available for sale - thus enabling liquidity in the event it is required.

Market Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at fixed rates – the fair value of the liabilities will fall
- Borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services could rise
- Investments at fixed rates – the fair value of assets will fall
- Investments at variable rates – the interest income credited to the surplus or deficit on the provision of services could rise

Borrowings and Loans and receivables are not carried at fair value, so nominal gains and losses on fixed rate borrowings and investments (excluding investments which are Available for Sale) would not impact on the Surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other Comprehensive Income and Expenditure.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget.

At 31 March 2011, if interest rates had been different during the financial year with all other variables held constant, the financial effect would be:

	£m
1% increase in rates during the year	
Impact on tax-payer & rent-payers	
Increase on interest payable on variable rate borrowings	0.013
Increase in interest receivable on variable rate lending	(1.545)
Increase in fair value of derivative	-
Net effect on Income & Expenditure Account	**(1.532)**
1% decrease in rates during the year	
Impact on tax-payer & rent-payers	
Reduction in interest payable on variable rate borrowings	(0.005)
Reduction in interest receivable on variable rate lending	1.502
Reduction in fair value of derivative	
	1.497
A 1% increase in discount rates would result in the following changes to the fair values	
Other accounting presentational charges	
A decrease in the "fair value" of Available For Sale Investments	1.035

This demonstrates that increases in interest rates will have a favourable impact on the Comprehensive Income and Expenditure Statement.

Price Risk

The Council has no material exposure to price risk from equity investments or foreign exchange risks.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Supplementary Financial Statements

Housing Revenue Account (HRA)- Income and Expenditure Account

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	2010/11 £m	Restated 2009/10 £m	Notes
Expenditure			
Repairs and maintenance	10.073	10.013	
Supervision and management:	9.772	9.195	
Rents, rates, taxes and other charges	0.206	0.428	
Negative Housing Revenue Account subsidy payable	6.376	6.346	HR9
Depreciation and impairments of non-current assets	158.005	20.387	
Debt management costs	0.012	0.013	
Sums directed by the Secretary of State that are expenditure in accordance with the Code	-	-	
Total Expenditure	**184.444**	**46.382**	
Income			
Dwelling rents	(31.512)	(31.693)	
Non-dwelling rents	(1.144)	(0.989)	
Charges for services and facilities	(1.399)	(1.714)	
Contributions towards expenditure	(0.087)	(0.092)	
Movement in the allowance for bad debts	0.040	(0.128)	
Total Income	**(34.102)**	**(34.616)**	
Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**150.342**	**11.766**	
HRA services' share of Corporate and Democratic Core	0.370	0.660	
Net cost of HRA services	**150.712**	**12.426**	
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
Gain or loss on sale of HRA non-current assets	(0.622)	1.880	
Interest payable and similar charges	1.161	1.317	
Interest and investment income	(0.017)	(0.036)	
Pensions interest cost and expected return on pension assets	0.228	0.226	
Capital grants and contributions receivable	(0.263)	(0.302)	
Surplus or (deficit) for the year on HRA Services	**151.199**	**15.511**	

Movement on the HRA Statement

The overall objective of this Statement is to reconcile the outturn on the HRA Income and Expenditure Statement with the net surplus or deficit for the year on the HRA Balance.

	£m	Notes
Balance at 31 March 2009	**(6.793)**	
Movement in reserves during 2009/10		
Surplus or (deficit) on the provision of services	15.511	
Other Comprehensive Income and Expenditure	-	
Total Comprehensive Income and Expenditure	**15.511**	
Adjustments between accounting basis & funding basis under regulations	(12.716)	HR1
Net Increase/Decrease before Transfers to Earmarked Reserves	**2.795**	
Transfers to/from Earmarked Reserves	-	
Increase/Decrease in 2009/10	**2.795**	
Balance at 31 March 2010 carried forward	**(3.998)**	
Movement in reserves during 2010/11		
Surplus or (deficit) on the provision of services	151.199	
Other Comprehensive Income and Expenditure	-	
Total Comprehensive Income and Expenditure	**151.199**	
Adjustments between accounting basis & funding basis under regulations	(149.918)	HR1
Net Increase/Decrease before Transfers to Earmarked Reserves	**1.281**	
Transfers to/from Earmarked Reserves	-	
Increase/Decrease in Year	**1.281**	
Balance at 31 March 2011 carried forward	**(2.717)**	

Notes to the Housing Revenue Account (HRA)

Introduction

As well as providing General Fund Housing Services, the Council is also a major provider of social rented accommodation in the North Cornwall area. This includes sheltered facilities to meet the needs of elderly persons. The Council owns and is responsible for the management and maintenance of 10,508 dwellings throughout the county ranging from bedsit flats to four-bedroomed houses. The income and expenditure relating to the above dwellings and the Council's landlord function is dealt with in the Housing Revenue Account.

Note HR1

Adjustments between accounting basis and funding basis under regulations on the HRA Balance

Adjustments between accounting basis and funding basis under regulations on the HRA Balance	**2010/11 £m**	**Restated 2009/10 £m**
Adjustments primarily involving the Capital Adjustment Account:		
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(4.978)	(5.000)
Revaluation losses on Property, Plant and Equipment	(146.280)	(8.794)
Movements in the market value of Investment Properties	-	-
Amortisation of intangible assets	(0.028)	-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		
Capital expenditure charged against the General Fund and HRA balances	0.611	2.690
Adjustments primarily involving the Capital Grants Unapplied Account:		
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0.263	0.302
Adjustments primarily involving the Capital Receipts Reserve:		
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.622	(1.880)
Adjustments primarily involving the Financial Instruments Adjustment Account:		
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.122	0.028
Adjustments primarily involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive and Expenditure Statement	(0.659)	(0.409)
Employer's pensions contributions and direct payments to pensioners payable in the year	0.412	0.352
Adjustments primarily involving the Accumulated Absences Account:		
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.003)	(0.006)
Other Movements		0.001
Total Adjustments	(149.918)	(12.716)

Note HR2

Housing Stock

	31 March 2011	Movement	Restated 1 April 2010
1-bed dwellings	2,605	-	2,605
2-bed dwellings	4,256	(8)	4,264
3-bed dwellings	3,512	(31)	3,543
4 or more bed dwellings	134	3	131
Hostel	1	-	1
Other	-	2	(2)
Number of dwellings	**10,508**	**(34)**	**10,542**

Note HR3

Balance Sheet Valuation

	31 March 2011 £m	Movement £m	Restated 1 April 2010 £m
Operational Assets:			
Council dwellings	396.993	(150.761)	547.754
Garages and other buildings	16.680	0.392	16.288
Total operational	413.673	(150.369)	564.042
Non-operational Assets:			
Housing Revenue Account land	-	(0.061)	0.061
Shops	-	-	-
Garages	-	-	-
Surplus assets	-	-	-
Other	0.080	0.080	-
Total non-operational	0.080	0.019	0.061
Value of HRA assets	**413.753**	**(150.350)**	**564.103**

Note HR4

Vacant Possession Valuation

The dwellings within the HRA are valued in the Balance Sheet on an Existing Use Value for Social Housing (EUV-SH) basis. This is different to the Vacant Possession Valuation which could be obtained if a tenant was not present, and the difference reflects the economic cost to the government of providing council housing at less than open market rents. In the South West the government has set an adjustment factor of 31% to be applied to the Vacant Possession Values to obtain the EUV-SH Valuation for the Council's dwellings. As at 1 April 2010 the Vacant Possession Value of dwellings within the Council's HRA was £1.281bn.

Note HR5

Major Repairs Reserve

The movement on the Major Repairs Reserve in the year is detailed as follows:

	2010/11 £m	Restated 2009/10 £m
Balance at 1 April	**0.604**	**0.293**
Transfer from Housing Revenue Account	12.074	11.593
Transfer to Movement on the HRA Satement	(5.355)	(5.000)
Capital expenditure financing - Housing	(7.029)	(6.282)
Balance at 31 March	**0.294**	**0.604**

Note HR6

Housing Revenue Account Capital Expenditure and Financing

Capital Expenditure during the year:	2010/11 £m	Restated 2009/10 £m
Improvements to Council Stock	8.512	9.795
Assets under Construction	0.018	0.062
Intangible Assets	0.081	-
Operational Land & Buildings - Malpas Community Centre	0.012	-
Deminimis Expenditure	0.010	-
Total Expenditure	**8.633**	**9.857**
Financed from:		
Major Repairs Reserve	7.029	6.282
Borrowing	0.719	0.720
Capital Grants	0.263	0.164
Housing Revenue Account	0.622	2.691
Balance at 31 March	**8.633**	**9.857**

Category of Receipt 2010/11	Total Receipt £m	Pooling Payment to Government £m	Usable Receipt £m
Sale of Council Houses	0.929	(0.673)	0.256
Council House Mortgage Repayments	0.083	(0.062)	0.021
Sale of Land	0.085	-	0.085
Total	**1.097**	**(0.735)**	**0.362**

Note HR7

Depreciation

	2010/11 £m	Restated 2009/10 £m
Operational Assets:		
Council Dwellings	11.263	11.203
Other Land and Buildings	0.434	0.390
Total Operational Assets Depreciation	11.697	11.593
Amortisation of Intangible Assets	0.028	-
Total Depreciation and Amortisation charged to Housing Revenue Account	**11.725**	**11.593**

Depreciation is charged to the HRA in respect of council dwellings and other HRA assets. Accounting guidance states that the level of the major repairs allowance (MRA) received by the council from central government may be used as a "proxy" for depreciation where the Council's responsible finance officer deems this to be reasonable. However, the Head of Financial Services has judged that to use the MRA as a proxy for depreciation of council dwellings would lead to a material understatement of the realistic level of depreciation. Therefore depreciation for council dwellings has been calculated taking into account their value and likely life span. The accounting entries relating to depreciation for dwellings in excess of the MRA and depreciation for non-dwelling assets are reversed out in the Statement of Movement on the HRA Balance so that they do not impact on the level of tenants' rent.

The total figure for depreciation on council dwellings is £11.263m, MRA is £6.719m and the excess depreciation above MRA is £4.978m.

Note HR8

Impairments

	2010/11 £m	Restated 2009/10 £m
Operational Assets:		
Council Dwellings	145.698	8.699
Other Land & Buildings	0.274	0.095
Total Operational Assets Impairment	145.972	8.794
Non-operational Assets Impairment	0.308	-
Total Impairments	**146.280**	**8.794**

Note HR9

Housing Subsidy

	2010/11 £m	Restated 2009/10 £m
Management Allowance	4.659	4.605
Maintenance Allowance	10.050	9.732
Major Repairs Allowance	6.719	6.593
Charges for Capital	1.069	2.692
Guideline Rent Income	(30.660)	(31.805)
Interest Receipts	(0.004)	(0.008)
ALMO Allowance	1.845	1.845
Prior Year Subsidy Adjustment	(0.054)	-
Total Subsidy (Payable)/Receivable	**(6.376)**	**(6.346)**

Note HR10

HRA Share of contributions to or from the Pensions Reserve

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid out as pensions. However, the charge the Council is required to make against the Housing Revenue Account bottom line is based on the cash contributions payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the Housing Revenue Account Balance.

The following transactions have been made in the Housing Revenue Account and Statement of Movement in the Housing Revenue Account Balance during the year:

	2010/11 £m	Restated 2009/10 £m
HRA Income and Expenditure Statement		
Cost of Services:		
Current service cost	0.432	0.183
Past service cost	-	-
Settlements and curtailments	-	-
Financing and Investment Income and Expenditure		
Interest cost	0.899	0.609
Expected return on scheme assets	(0.671)	(0.383)
Net Charge to the Housing Revenue Account Income and Expenditure Statement	**0.660**	**0.409**

	2010/11 £m	Restated 2009/10 £m
Movement in HRA Statement		
Reversal of net charges made for post employment benefits in accordance with the Code	(0.660)	(0.409)
Actual Amount Charged Against the Housing Revenue Account Balance for pensions in the year:		
Employer's contributions payable to the scheme	0.412	0.351
(Debit)/Credit to Pensions Reserve	**(0.248)**	**0.058**

Note HR11 **Rent Arrears**

	31 March 2011 £m	Restated 31 March 2010 £m
Dwellings - Current Tenants	0.723	0.523
Dwellings - Former Tenants	0.200	0.304
Total Gross Housing Revenue Account Arrears	**0.923**	**0.827**
Total Bad Debt Provision	(0.473)	(0.432)
Net Arrears	**0.450**	**0.395**
Percentage of Tenants in Arrears	**2.30%**	**1.60%**

Note HR12 **Sums directed by the Secretary of State**

Under the Local Government and Housing Act and other ministerial powers, the Secretary of State can instruct local authorities to charge or credit the Housing Revenue Account (HRA). No such sums have been charged to the HRA in the year.

Collection Fund
Income and Expenditure
Account

Collection Fund Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distinction to local authorities and the Government of council tax and non-domestic Rates.

	2010/11 £m	2009/10 £m	Notes
Income			
Income from council tax	(242.439)	(234.550)	
Transfers from General Fund:			
Council tax benefits	(44.631)	(41.341)	
Income collectable from business ratepayers	(130.847)	(123.821)	
Contribution towards previous year's estimated Collection Fund Deficit:			
Cornwall Council	(0.948)	-	
Devon & Cornwall Police Authority	(0.112)	-	
Contribution:			
Adjustment of previous year's community charges	-	-	
Total Income	**(418.977)**	**(399.712)**	
Expenditure			
Precepts and demands from:			
Cornwall Council	250.062	242.946	
Devon & Cornwall Police Authority	30.102	28.724	
Business Rates:			
Payment to National Pool	127.619	122.150	
Costs of collection	1.104	1.089	
Impairment of debts/appeals:			
Write-offs of uncollectable amounts:			
Council tax	0.383	0.130	
Business rate payers	1.136	0.053	
Allowance for impairment:			
Council tax	0.466	2.406	
Business rate payers	0.988	0.530	
Contribution towards previous year's estimated Collection Fund Surplus:			
Cornwall Council	-	1.515	3
Devon & Cornwall Police Authority	-	0.174	3
Total Expenditure	**411.860**	**399.717**	
(Surplus)/deficit for the year	(7.117)	0.005	
Collection Fund Balance brought forward	(0.739)	(0.744)	
Collection Fund Balance carried forward	**(7.856)**	**(0.739)**	

Notes to the Collection Fund Income and Expenditure Account

The Total Non-domestic Rateable (NDR) Value and the NDR Multiplier

Note CF1

The Council is responsible for the collection of non-domestic rates in its area but pays the proceeds into a central NDR pool administered by the Government. The Government then redistributes the sums paid into the pool back to the Council based on a fixed amount per head of population.

The Government specifies an amount to be collected, the multiplier, which for 2010/11 was 41.4p, reducing to 40.7p for properties in receipt of Small Business Rate Relief with a rateable value of £18,000 or less. The total rateable value for all non-domestic properties as at 31 March 2011 was £418.025m (£304.577m 2009/10).

Note CF2

The Council Tax Base

The Council must each year calculate the number of chargeable dwellings it expects to have in each valuation band (adjusted for dwellings where discounts apply) and then convert these numbers to an equivalent number of Band D dwellings. This is known as the Council Tax Base. The Band D equivalents for each valuation band are detailed below:

Valuation Band	Total Number of Dwellings per Band 2010/11	Band D Equivalent Dwellings 2010/11
A-	147.50	79.90
A	48,424.55	31,478.44
B	55,692.50	42,236.82
C	47,551.65	41,214.69
D	36,238.45	35,335.28
E	21,170.55	25,230.23
F	7,541.50	10,621.79
G	3,415.20	5,550.14
H	242.90	473.69
Total Council Tax Base	**220,424.80**	**192,220.98**

Note CF3

Precepts and Demands

During 2010/11, a share of the prior year's estimated surplus was paid with precepts and demands as follows:

Precepts and Demands paid in 2010/11	2010/11 Precept £m	Estimated Share of 2009/10 Deficit £m	2010/11 Total £m
Cornwall Council (including parish precepts)	250.062	(0.948)	249.114
Devon and Cornwall Police Authority	30.102	(0.112)	29.990
Total	**280.164**	**(1.060)**	**279.104**

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Group Financial Statements

Group Movement in Reserves Statement (opposite)

This statement shows the movement in the year on the different reserves held by the Group, analysed into “usable reserves” and other reserves.

Group Comprehensive Income and Expenditure Statement (below)

This statement shows the accounting cost in the year of providing the Group’s services in accordance with generally accepted accounting practices.

	2010/11			2009/10 Restated			
	Expenditure £m	**Income £m**	**Net £m**	**Expenditure £m**	**Income £m**	**Net £m**	Notes
Continuing Operations							
Central services to the public	58.609	(51.806)	6.803	58.363	(48.110)	10.253	
Cultural, environmental, regulatory and planning	170.105	(44.105)	126.000	178.431	(39.121)	139.310	G3
Education and children's services	570.005	(415.964)	154.041	585.703	(393.747)	191.956	
Highways and transport services	121.761	(31.428)	90.333	73.664	(28.200)	45.464	G3
Local authority housing (HRA)	183.859	(34.183)	149.676	45.818	(34.614)	11.204	G3
Other housing services	198.295	(181.482)	16.813	184.557	(178.396)	6.161	
Adult social care	201.833	(53.088)	148.745	186.124	(53.433)	132.691	
Fire and rescue services	28.462	(2.428)	26.034	23.462	(1.839)	21.623	
Corporate and democratic core	11.693	(0.487)	11.206	8.988	(0.101)	8.887	
Non distributed costs	(1.126)	(0.013)	(1.139)	(1.771)	-	(1.771)	
Exceptional costs - Redundancy	1.978	-	1.978	14.181	-	14.181	
Exceptional credit - Pension IAS 19	(159.727)	-	(159.727)	-	-	-	G3
Acquired Operation - CPR Regeneration	2.245	(2.311)	(0.066)	-	-	-	G2
Group Cost of services	**1,387.992**	**(817.295)**	**570.697**	**1,357.520**	**(777.561)**	**579.959**	
Other operating expenditure			14.217			12.154	
Financing and investment income and expenditure			49.811			35.510	
Taxation and non-specific grant income			(585.455)			(549.313)	
(Surplus) or deficit on provision of services			**49.270**			**78.310**	
Share of the surplus or deficit on the provision of services by joint venture			1.306			3.200	
Tax expenses of subsidiaries			0.014			0.051	
Group (Surplus)/Deficit			**50.590**			**81.561**	G4
Surplus or deficit on revaluation of property, plant and equipment			(36.652)			17.263	
Surplus or deficit on revaluation of available for sale financial assets			(0.091)			0.381	
Actuarial gains/losses on pension assets/liabilities			(313.229)			462.129	
IFRS adjustments not gone through Group CIE			-			(21.996)	
Other recognised gains and losses			11.290			0.435	
Other comprehensive income and expenditure			**(338.682)**			**458.212**	
Total comprehensive income and expenditure			**(288.092)**			**539.773**	

Group Movement in Reserves	General Fund Balance £m	GF Schools Balance £m	Earmarked GF Reserves £m	Ports Balances £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Reserve £m	Major Repairs Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Share of Reserves of Subs & JVs £m	Total Reserves £m
Balance at 31 March 2009	**(17.978)**	**(20.149)**	**(67.001)**	**(0.900)**	**(6.793)**	**(17.460)**	**(1.583)**	**(0.293)**	**(132.157)**	**(1,168.044)**	**(1,300.201)**	**(100.492)**	**(1,400.693)**
Movement in reserves during 2009/10													
Surplus or (deficit) on the provision of services	63.619	-	-	-	15.511	-	-	-	**79.130**	-	**79.130**	2.431	**81.561**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	**-**	457.082	**457.082**	1.130	**458.212**
Total Comprehensive Income and Expenditure	**63.619**	**-**	**-**	**-**	**15.511**	**-**	**-**	**-**	**79.130**	**457.082**	**536.212**	**3.561**	**539.773**
Adjustments between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Increase / Decrease before Transfers	**63.619**	**-**	**-**	**-**	**15.511**	**-**	**-**	**-**	**79.130**	**457.082**	**536.212**	**3.561**	**539.773**
Adjustments between accounting basis & funding basis under regulations	(72.323)	-	-	-	(12.716)	(2.558)	(1.413)	(6.593)	**(95.603)**	95.603	**-**	-	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(8.704)**	**-**	**-**	**-**	**2.795**	**(2.558)**	**(1.413)**	**(6.593)**	**(16.473)**	**552.685**	**536.212**	**3.561**	**539.773**
Transfers to/from Earmarked Reserves	11.710	(1.739)	(16.023)	(0.230)	-	-	-	6.282	**-**	-	**-**	-	**-**
Increase/Decrease in 2009/10	**3.006**	**(1.739)**	**(16.023)**	**(0.230)**	**2.795**	**(2.558)**	**(1.413)**	**(0.311)**	**(16.473)**	**552.685**	**536.212**	**3.561**	**539.773**
Balance at 31 March 2010 carried forward	**(14.972)**	**(21.888)**	**(83.024)**	**(1.130)**	**(3.998)**	**(20.018)**	**(2.996)**	**(0.604)**	**(148.630)**	**(615.359)**	**(763.989)**	**(96.931)**	**(860.920)**
Movement in reserves during 2010/11													
Surplus or (deficit) on the provision of services	(98.895)	-	-	-	151.199	-	-	-	**52.304**	-	**52.304**	(1.714)	**50.590**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	**-**	(330.102)	**(330.102)**	(8.580)	**(338.682)**
Total Comprehensive Income and Expenditure	**(98.895)**	**-**	**-**	**-**	**151.199**	**-**	**-**	**-**	**52.304**	**(330.102)**	**(277.798)**	**(10.294)**	**(288.092)**
Adjustments between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Increase / Decrease before Transfers	**(98.895)**	**-**	**-**	**-**	**151.199**	**-**	**-**	**-**	**52.304**	**(330.102)**	**(277.798)**	**(10.294)**	**(288.092)**
Adjustments between accounting basis & funding basis under regulations	54.479	-	-	-	(149.918)	(5.671)	(0.178)	0.310	**(100.978)**	100.978	**-**	-	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(44.416)**	**-**	**-**	**-**	**1.281**	**(5.671)**	**(0.178)**	**0.310**	**(48.674)**	**(229.124)**	**(277.798)**	**(10.294)**	**(288.092)**
Transfers to/from Earmarked Reserves	25.808	(8.060)	(17.665)	(0.083)	-	-	-	-	**(0.000)**	-	**(0.000)**	-	**(0.000)**
Increase/Decrease in Year	**(18.608)**	**(8.060)**	**(17.665)**	**(0.083)**	**1.281**	**(5.671)**	**(0.178)**	**0.310**	**(48.674)**	**(229.124)**	**(277.798)**	**(10.294)**	**(288.092)**
Balance at 31 March 2011 carried forward	**(33.580)**	**(29.948)**	**(100.689)**	**(1.213)**	**(2.717)**	**(25.689)**	**(3.174)**	**(0.294)**	**(197.304)**	**(844.483)**	**(1,041.787)**	**(107.225)**	**(1,149.012)**

Group Balance Sheet (opposite)

The Balance Sheets shows the value of the assets and liabilities recognised by the Group at 31 March. The net assets of the Group are matched by Group reserves.

Group Cash Flow Statement (below)

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

	2010/11 £m	Restated 2009/10 £m
Net (surplus) or deficit on the provision of services	**50.590**	**81.561**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(296.212)	(345.538)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	167.188	225.932
Net cash flows from operating activities	(78.434)	(38.045)
Investing Activities	33.844	(30.368)
Financing Activities	(3.925)	95.889
Net increase or decrease in cash and cash equivalents	(48.515)	27.476
Cash and cash equivalents at the beginning of the reporting period	(26.332)	1.144
Cash and cash equivalents at the end of the reporting period	22.183	(26.332)

Balance Sheet	31 March 2011 £m	Restated 31 March 2010 £m	Restated 1 April 2009 £m	Notes
Property, Plant and Equipment	1,933.521	2,078.327	2,130.310	
Intangible Assets	2.391	1.102	3.072	
Long Term Investments	139.693	169.443	148.341	
Share of Net Assets of Associates and Joint Ventures	104.554	103.937	100.639	
Long Term Debtors	28.227	27.383	27.180	
Negative Goodwill	(0.185)	(0.300)	(0.481)	
Long Term Assets	**2,208.201**	**2,379.892**	**2,409.061**	
Cash and Cash Equivalents	22.183	3.783	4.950	
Short Term Investments	74.210	44.523	117.048	
Assets Held for Sale	0.641	1.137	1.937	
Landfill Allowances Trading Scheme (LATS)	0.543	0.461	-	
Inventories	5.418	5.100	4.878	
Short Term Debtors	82.921	80.261	104.362	
Current Assets	**185.916**	**135.265**	**233.175**	
Cash and Cash Equivalents	-	(30.115)	(3.806)	
Short Term Borrowing	(17.303)	(7.469)	(57.398)	
Short Term Creditors	(131.034)	(111.465)	(121.194)	
Provisions	(13.675)	(11.968)	(9.784)	
Liabilities in Disposal Groups	-	(0.180)	-	
Current Liabilities	**(162.012)**	**(161.197)**	**(192.182)**	
Long Term Creditors	(0.136)	(0.144)	(0.701)	
Provisions	(4.495)	(1.447)	(12.338)	
Long Term Borrowing	(505.488)	(504.637)	(506.808)	
Pension Liability	(431.151)	(877.802)	(411.642)	
PFI Long Term Liability	(81.362)	(62.525)	(83.989)	
Other Long Term Liabilities	(0.741)	(0.471)	(0.285)	
Capital Grants Receipts in Advance	(59.720)	(46.013)	(33.598)	
Long Term Liabilities	**(1,083.093)**	**(1,493.039)**	**(1,049.361)**	
Net Assets	**1,149.012**	**860.921**	**1,400.693**	G5
Usable Reserves	(200.979)	(142.023)	(133.072)	
Unusable Reserves	(948.033)	(718.898)	(1,267.621)	
Total Reserves	**(1,149.012)**	**(860.921)**	**(1,400.693)**	

Net Worth per Balance Sheet as previously published		(764.172)	(1,366.984)
Movements relating to 1 April 2009 restatement		(1.264)	
Deferred Capital Receipts reclassified as Unusable Reserve		(32.350)	(1.373)
Prior Period Adjustment for Accumulated Absences Reserve		2.198	9.798
Prior Period Adjustment for Assets		(20.205)	26.514
Prior Period Adjustment for Grants		(27.678)	(166.137)
Prior Period Adjustment for Leases		(0.112)	0.034
Prior Period Adjustment for Foundation Schools		(17.338)	97.455
Net Worth per Restated Balance Sheet		(860.921)	(1,400.693)

Notes to Group Financial Statements

Note G1

Accounting Policies

The accounting polices for the group accounts are the same as those applied to the single entity financial statements except for the following polices which are specific to the group accounts.

Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures.

Subsidiary Boundary

A subsidiary is an entity which the Council controls through the power to govern their financial and operating polices so as to obtain benefits from the entities' activities.

Control is usually presumed where the Council owns more than half the voting power of an entity (either directly of through other subsidiaries). However, this is not a defining criterion; the Council can have more than half the voting power but exceptionally not be in control and powers other than voting rights may grant control where the Council has less than half the voting power.

Associate Boundary

An associate is an entity for which the Council is an investor that has significant influence.

Significant influence is the power to participate in the financial and operating policy decisions of the investee (stopping short of control or joint control). It is presumed that holding 20% of the voting power of an investee (either directly or indirectly) brings significant influence but this presumption can be rebutted. It is possible for significant influence to be exerted where an investor has less than 20% of the voting power or where another party has majority ownership.

Joint Venture Boundary

Entities established with contractual or binding arrangements whereby two or more parties are committed to undertake an activity that is subject to their joint control, with strategic financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing control.

Materiality

In accordance with the above policy, our group relationships have been determined as follows:

Carrick Housing Ltd		Subsidiary	Consolidated
Cornwall Airport Ltd		Subsidiary	Consolidated
Cornwall Development Company Ltd		Subsidiary	Consolidated
Includes:	Rural Economic Partnership Ltd	Subsidiary	Consolidated
	CPR Regeneration	Subsidiary	Consolidated

County Environmental Services Ltd	Subsidiary	Not Consolidated
Kehelland Horticultural Centre Ltd	Subsidiary	Not Consolidated
Carrick Leisure Ltd	Associate	Not Consolidated
Tamar Bridge & Torpoint Ferry Joint Committee	Joint Venture	Consolidated
Careers South West Ltd	Joint Venture	Not Consolidated
Mount Edgcumbe Joint Committee	Joint Venture	Not Consolidated

The grounds on which certain of the entities have been excluded from consolidation into the group accounts is that (individually and in aggregate) they are not material to the true and fair view of the financial statements or to the understanding of users.

In addition, under the Accounts and Audit Regulations, Cornwall Port Health Authority (a statutory function of the Council) is required to produce separate accounts for the financial year 2010/11. These are also excluded from the Council's group accounts on the basis of materiality.

Basis of the Preparation of the Group Financial Statements

The Group Accounts have been prepared using the group accounts requirements of the 2010/11 Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's Group Accounts to the extent that they are material to the users of the Financial Statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line by line basis to those of other group members in the financial statements,
- eliminating intra-group balances and transactions in full

Joint ventures have been consolidated using the equity method i.e. adjusting the investment originally recognised at cost for the Council's post acquisition change in its share of net assets of the investee and including the Council's share of the profits and losses in the Group Comprehensive Income and Expenditure Statement.

The Council's share of profits or losses generated by transactions between the joint venture and group members (e.g. sales of assets) are eliminated.

Subsidiaries

Carrick Housing Limited

Carrick Housing Ltd is an Arms Length Management Organisation (ALMO), limited by guarantee and without share capital. The board derives its powers to manage Carrick Housing from the Articles of Association. The powers of the board are exercised on behalf of Cornwall Council (formerly Carrick District Council).

The principal activity of the company is managing and maintaining the 3800 council houses in the former Carrick district. The Company also looks after about 150 leaseholders on behalf of the Council and manages other garages, shops and land in neighbourhoods with council housing.

The financial statements of the company for the year ended 31 March 2011 can be obtained from the registered office which is Carrick House, Pydar Street, Truro, TR1 1DP. Their company registration number is 04662007.

Cornwall Airport Limited

Cornwall Airport Limited was incorporated on 13 February 2007 and commenced trading on 1 April 2007. The company is limited by shares, the sole shareholder being Cornwall Council. The company is, therefore, a local authority company controlled by Cornwall Council.

Cornwall Airport Limited has changed its accounting reference date from 28 February to 31 March. Accordingly, the company has prepared accounts covering the period 1 March 2010 to 31 March 2011 (13 months) and these have been consolidated in their entirety into the Council's group accounts.

The principal activity of the company is airport operations at Newquay Cornwall Airport. Funding income is provided by Cornwall Council for shortfalls arising from such activities that would typically be undertaken to operate an airport. This funding is under a Public Service Obligations Agreement.

The registered office of the company is Legal Services, Cornwall Council, New County Hall, Truro, Cornwall, TR1 3AY. Their company registration number is 06098925.

Cornwall Development Company Ltd

The company was incorporated on 17 November 1998 and commenced trading on 1 April 1999. It is limited by guarantee with the sole guarantor being Cornwall Council. On incorporation, the company became a wholly owned subsidiary of Cornwall County Council. The company is a local authority company controlled by Cornwall Council.

The principal activity of the company is the undertaking of activities focused on achieving prosperity for Cornwall. These activities cover the promotion of the County for visitors and investors, the management of programmes of public sector funds, the development of new projects and advice and information to project promoters, a variety of services to businesses and organisations.

On 1 April 1999, Cornwall Development Company acquired 100% of the ordinary share capital of Rural Economic Partnership Ltd, a company incorporated in England. The company's principal activity is management of the three properties on the South Wheel Crofty site in Pool.

On 1 April 2010, Cornwall Development Company also became the parent company of Camborne Pool Redruth Urban Regeneration Company Ltd (CPR Regeneration). CPR Regeneration is limited by guarantee. The company's principal activity is the organisation of the regeneration of the Camborne, Pool and Redruth areas.

The accounts of the company can be obtained from the registered office at Level 4, Pydar House, Pydar Street, Truro, Cornwall, TR1 1EA.

County Environmental Services Ltd

The Council owns 100% of the issued share capital of County Environmental Services Limited, which was incorporated on 12 June 1991 as an arms-length company of the Council.

Until 31 October 2006, the principal activities of the company were the provision of waste disposal facilities by the operation and management of landfill sites, together with related activities including transport. With effect from 1 November 2006 work commenced to conduct an orderly transfer of the business activities to Cornwall County Council and its Integrated Waste Management contractor, SITA Cornwall Limited.

The company no longer trades and is currently being wound up through a creditor's voluntary liquidation. It is envisaged that the winding up and striking off process will be complete by July 2011.

The accounts for 2010/11 have not been consolidated on the grounds of materiality.

Kehelland Horticultural Centre Ltd

Kehelland Horticultural Centre Ltd is a charitable company limited by guarantee, incorporated on 13 April 1983 and registered as a charity on 20 January 1984.

The company was incorporated with the object of affording relief of persons who are physically or mentally handicapped, and provides training and sheltered employment in all country pursuits.

The accounts for 2010/11 have not been consolidated on the grounds of materiality.

Associates

Carrick Leisure Ltd

Carrick Leisure is a registered charity, limited by guarantee and without share capital. The Council (formerly Carrick District Council) has only 19.9% of the voting rights but exercises a significant influence over the way the company operates. Accordingly, the Company is classified as an associate for accounting purposes.

Carrick Leisure provides leisure and entertainment services in central Cornwall.

The accounts for 2010/11 have not been consolidated on the grounds of materiality.

Joint Ventures

Tamar Bridge and Torpoint Ferry Joint Committee

The Tamar Bridge and Torpoint Ferry Joint Committee is a committee formed by equal numbers of councillors from each of the two joint authorities, Plymouth City Council and Cornwall Council. Its activities are governed by the Tamar Bridge Act of 1957 and subsequent acts. Its reserves are ringfenced and are not available to the joint authorities to support other expenditure. For accounting purposes, the company is classified as a joint venture.

The Joint Committee carries out the operation, maintenance and control of the Tamar Bridge and Torpoint Ferries on behalf of Cornwall Council and Plymouth City Council.

The Council incorporates 50% of the value of the Joint Committee's transactions as follows:

	£m
Current Assets	1.877
Long Term Assets	114.700
Current Liabilities	(2.388)
Long Term Liabilities	(9.635)
Income	(5.132)
Expenditure (excluding exceptional credit)	6.148
Exceptional credit	(0.611)

Careers South West Limited

Careers South West Limited is a local authority controlled company. The company is under the joint control of Devon County Council, Cornwall Council, Plymouth City Council and Torbay Council. Members have equal voting rights so Cornwall Council's share is 25%. For accounting purposes, the company is classified as a joint venture.

The company is a service for all young people, giving 13-19 year olds information, advice, guidance and practical help in preparing for adult and working life. It operates through a number of service brands including Connexions.

The company changed its name from Connexions Cornwall and Devon Ltd on 1 April 2009. The registered office is at Tamar Business Park, Pennygillam Industrial Estate, Launceston, Cornwall, PL15 7ED and the company auditors are KPMG.

The accounts for 2010/11 have not been consolidated on the grounds of materiality.

The Mount Edgcumbe Joint Committee

The Mount Edgcumbe Joint Committee is a committee formed by equal numbers of councillors from each of the two joint authorities, Plymouth City Council and Cornwall Council together with a number of independent co-opted members. For accounting purposes, the company is classified as a joint venture.

The Joint Committee carry out the operation, maintenance and control of the Mount Edgcumbe Country Park on behalf of Cornwall Council and Plymouth City Council.

The accounts for 2010/11 have not been consolidated on the grounds of materiality.

Note G2

Acquisition of CPR Regeneration

On 1 April 2010, CPR Regeneration became a 100% owned subsidiary of Cornwall Development Company for £nil consideration. The net assets acquired were not material to Cornwall Development Company or the Cornwall Council Group and the asset values in CPR Regeneration's own accounts have therefore been taken as fair values and no goodwill has been recognised in respect of this acquisition. CPR Regeneration has been disclosed as an acquired operation in the Group Comprehensive Income and Expenditure Statement.

Note G3

Analysis of Group Cost of Services

	2010/11		2009/10	
	Income £m	Net Expenditure £m	Income £m	Net Expenditure £m
Cost of services includes - after elimination of intercompany transactions:				
Cultural, environmental, regulatory and planning				
Cornwall Development Company, Rural Economic Partnership	(1.645)	0.079	(0.450)	(0.372)
Highways and transport services				
Cornwall Airport Ltd	(4.922)	0.251	(6.033)	(0.048)
Local authority housing (HRA)				
Carrick Housing Ltd	(0.081)	(0.666)	(0.139)	(0.562)
Exceptional credit - Pension IAS 19				
Carrick Housing Ltd	-	(0.999)	-	-
Cornwall Airport Ltd	-	(0.240)	-	-
Cornwall Development Company	-	(1.254)	-	-
Total	**(6.648)**	**(2.829)**	**(6.622)**	**(0.982)**

Note G4

Reconciliation to the single entity comprehensive income and expenditure statement

	2010/11 £m	2009/10 £m
(Surplus) or Deficit per single entity Comprehensive Income and Expenditure Statement	52.304	79.130
Surplus attributable to subsidiaries	(3.020)	(0.769)
Deficit attributable to share of joint venture	1.306	3.200
Total Group (Surplus) or Deficit	**50.590**	**81.561**

Note G5

Analysis of Group Net Worth

	2010/11 £m	2009/10 £m	2008/09 £m
Cornwall Council	1,041.787	763.991	1,300.201
Carrick Housing Ltd	3.543	(2.490)	0.968
Cornwall Airport Ltd	0.206	0.317	0.448
Cornwall Development Company Ltd	(0.754)	(4.398)	(1.121)
Rural Economic Partnership Ltd	0.098	0.064	0.058
CPR Regeneration Ltd	0.078	-	-
Share of Joint Venture - Tamar Bridge & Torpoint Ferry Joint Committee	104.554	103.937	100.639
Group Adjustments	(0.500)	(0.500)	(0.500)
Total	**1,149.012**	**860.921**	**1,400.693**

Pension Fund Accounts

Cornwall Local Government Pension Scheme Accounts

Fund Account

	2011 £m	£m	2010 £m	£m	Notes
Contributions					P6
From Employers					
Normal Contributions	47.196		49.244		
Additional Contributions	1.770		5.744		
Augmentation Receipts	0.019		1.203		
From Members					
Normal Contributions	15.558		15.725		
Additional Contributions	0.606		0.669		
Receipts on Account of Joiners					P6
Transfers In from Other Pension Funds	6.350		9.011		
Other Income	0.005		0.011		
Total Contributions		**71.504**		**81.607**	
Benefits					P6
Benefits Payable					
Pensions	39.292		36.983		
Lump Sums	12.675		14.258		
Death Benefits	1.245		0.895		
Payments To and on Account of Leavers					P6
Refunds On Contributions	0.007		0.005		
Transfers Out	2.242		6.220		
Administrative Expenses	0.546		0.515		P7
Total Payments and Deductions		**56.007**		**58.876**	
Net Gains from Dealing with Members		**15.497**		**22.731**	
Returns on Investments					P8
Investment Income	30.637		33.170		
Irrecoverable Tax Paid on Investment Income	(0.900)		(1.325)		
Other Income	0.329		0.329		
Change in Market Value of Investments	71.247		191.410		
Gain on Currency Transactions	-		9.747		
Less					
Investment Management Expenses	(3.555)		(3.367)		P7
Loss on Currency Transactions	(4.249)		-		
Net Returns on Investment		**93.509**		**229.964**	
Surplus / (Deficit) on the Pension Fund for the Year		**109.006**		**252.695**	
Opening Net Assets of the Scheme		**1,041.482**		**788.787**	
Closing Net Assets of the Scheme at 31 March (see note below)		**1,150.488**		**1,041.482**	

Net Assets Statement

	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m	Notes
Investment Assets				P10 to P13
Fixed Interest Securities				
Corporate Bonds	0.081	0.066	0.128	
Equities				
UK Equities	276.838	237.035	153.850	
Overseas Equities	460.846	420.450	290.583	
Derivatives				
Equity Futures	11.466	10.628	7.125	
Forward Currency	(1.853)	(6.605)	3.882	
Unit Trusts				
Property Unit Trusts	78.231	67.458	53.459	
Currency Funds	35.665	33.584	35.540	
Hedge Funds	15.889	15.173	13.486	
Unit Trust Bonds	160.191	149.697	127.676	
Alternative Assets				
Private Equities	51.351	45.661	51.616	
Infrastructure Fund	7.188	5.816	6.280	
Environmental Technology Fund	1.680	1.229	1.224	
M & G UK Financing Fund	2.640	-	-	
Other Assets				
Short Term Investments	-	1.394	1.380	
Cash with Custodian	33.150	35.923	43.124	
Investment Income Receivable	5.627	5.530	2.579	P5
Income Tax Receivable	1.192	0.926	0.756	P5
Investment Liabilities				
Open Futures Position	(11.466)	(10.628)	(7.125)	
Forward Currency Position	-	-	(3.882)	
Total Investment Assets at Bid price (see note below)	**1,128.716**	**1,013.337**	**781.681**	
Current Assets				
Cash at bank	20.307	29.100	5.550	
Administration Income Receivable	1.420	-	-	
Contributions Receivable	5.097	0.978	2.141	
Pension Strain, Income Receivable	0.704	0.188	4.384	P14
Current Liabilities				
Administration Expenses Payable	(2.451)	(0.846)	(1.149)	
Pension Lump Sums Payable	(3.305)	(1.275)	(3.820)	P14
Current Assets less Current Liabilities	**21.772**	**28.145**	**7.106**	
Net Assets as at 31 March	**1,150.488**	**1,041.482**	**788.787**	

These accounts summarise the transactions of the Fund during the year, both for benefits and investments, and show the position of the Fund on 31 March 2011. They provide information about the financial position, performance and financial adaptability of the Fund and show how we have managed the Fund and what assets were in the Fund at the period end. Liabilities to pay pensions and other benefits in the future are not included but are dealt with in the Actuarial Report in Note P4.

Notes to the Pension Scheme Accounts

Note P1 How the Scheme Works

Local Government Pension Schemes are required to be funded and the Pension Fund is required to be sufficient to meet the estimated future pension entitlements of current and past employees. It is actuarially re-valued every three years to establish the contributions to be made by the employing authorities to achieve this objective. Transfers into or out of the Fund are sums received from, or paid to, other pension schemes. These relate to new and former members' periods of pensionable employment, where transferable.

After meeting pension payments and other benefits, the balance of the Pension Fund is invested in a range of investments. These investments are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Pensions Committee is responsible for all matters relating to the Pension Fund. The membership includes two representatives of the major employers in the scheme and two member-nominated representatives. The Pensions Committee has approved a scheme of delegation to the Corporate Director for Resources. Whereas the Pensions Committee approves all policies, the Corporate Director for Resources is empowered to invest monies of the Pension Fund. The Pensions Committee receives investment advice from an external advisor. A Statement of Investment Principles, setting out how the Fund's investments are managed, can be viewed on the Pension Fund website at www.cornwallpensionfund.org.uk.

Note P2 Contributors and Pensioners

All employees (except teachers and fire fighters who have their own schemes) are entitled to join the scheme. Individuals have the right to seek alternative pension arrangements, either through the State Second Pension Scheme or by taking out their own personal pension. The number of contributors fell for the second year in succession in 2010-11 but the number of pensioners at 31st March each year has continued to rise:

	2007	2008	2009	2010	2011
Contributors					
Cornwall Council	NA	NA	NA	13,368	
Cornwall County Council	11,007	11,169	11,495	NA	
District Councils	2,505	2,497	2,412	NA	
Other Bodies	2,231	2,189	2,714	2,919	
Total Number of Contributors	**15,743**	**15,855**	**16,621**	**16,287**	**-**
Pensioners					
Receiving Benefits	7,468	7,815	8,229	8,865	
Deferred Benefits	9,094	10,715	11,989	13,208	
Total Number of Pensioners	**16,562**	**18,530**	**20,218**	**22,073**	**-**

Note P3

Accounting Policies

The accounts have been prepared as a going concern to meet the requirements of the Local Government Pension Scheme Regulations 2008 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. They are also required to meet the requirements of the 2007 Statement of Recommended Practice for Pension Schemes. The accounts have also been prepared in accordance with the current CIPFA Code of Practice on Local Authority Accounting.

Contributions, investment income and expenses (where material) such as management expenses and benefits are on an accruals basis, where these amounts have been determined on the closure of accounts.

These accruals do not include the Fund’s liabilities to pay pensions and other benefits, in the future, to all the present contributors to the Fund. These liabilities are taken account of in the periodic actuarial valuations of the Fund and are reflected in the levels of employers’ contributions determined at these valuations.

Transfer Values to/from other funds, for individuals, are included in the accounts on the basis of the actual amounts received and paid in the year. Block transfers would be accrued, where relevant, although there were none affecting this financial year.

Market valuations of listed securities are based on bid values, representing the price a third party would pay the fund in an arm’s length transaction for the investment, at the reporting date. A fair value may be employed where that value cannot be ascertained or where it would be considered more appropriate. Fair value is the amount for which an asset can be exchanged, or a liability settled, between unrelated willing knowledgeable parties in an arm’s length transaction. Investments shown in the Statement of Net Assets are shown at market values. Prices in foreign currencies are converted at the closing rates of exchange, as at the financial year-end date.

Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the closing price of the contract. Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

Under the Pension Fund Regulations, employers’ contribution rates are set to enable the Fund to meet eventually 100% of its overall liabilities to pay benefits for both local authorities and other bodies (see the end of Note P4).

The amount of cash stated in the Net Assets Statement as at 31 March includes all monies held externally by fund managers on behalf of the Council and reflects all commitments in respect of transactions realised and unrealised as at that date.

Note P4

Actuarial Report

2007 Valuation

The 2007 triennial valuation is the basis for the employer contribution rates which are in force until 31 March 2011.

The actuarial valuation provides a profile of the funding level of current and future liabilities for the employers in providing pensions for their employees in the Scheme. The Council, as Administering Authority, is required to establish a Funding Strategy Statement (FSS) that sets out how the Fund will meet employers' pensions liability over the long term, whilst maintaining as stable employers' contribution rates as possible. The Council approved the current FSS which took effect from 31 March 2008 and it can be viewed, along with the current actuarial valuation report, on the Pension Fund website at www.cornwallpensionfund.org.uk.

The 2007 valuation used the same projected unit method as employed in the 2004 valuation, plus a degree of 'Attained Age' method for those employers who no longer admit new members.

The Actuary took into account a number of changes since the last valuation to the LGPS benefit structure, some of which are set out here:

- Removal of the Rule of 85 for some or all service
- Introduction of commutation
- A reduction to the minimum membership required for entitlement to deferred benefit
- Restrictions on aggregation of former membership
- Introduction of survivor benefits for civil partners

The overall effect of these changes was to reduce the cost of benefits. The new scheme, introduced from 1 April 2008, contains a seven tiered structure giving rise to a range of employee contribution rates. Another fundamental change was the calculation of pension from a 80th to 60th times final salary for the period of scheme membership. Under the new scheme the payment of a lump sum is foregone with the higher level of pension payable. The death grant was increased from two to three years.

For this valuation the actuary used an out-performance assumption that the Cornwall Fund's entire asset portfolio would yield income of 1.4% above the yield available on gilts. The actuary derived the discount rate by simply adding 1.4% to the yield available on gilts (4.5%) to give the discount rate of 5.9%. See the table below showing the comparison between the 2004 and 2007 valuation financial assumptions:

	March 2007		March 2004	
	% p.a. Nominal	% p.a. Real	% p.a. Nominal	% p.a. Real
Minimum Risk Rate of Return	4.50%	1.30%	4.70%	1.80%
Anticipated Extra Long-term Return From:				
Equities			1.75%	
Corporate Bonds			0.40%	
Overall Anticipated Long-term Return From:	see note above			
Equities			6.50%	3.60%
Bonds (50% Gilts, 50% Corporate Bonds)			4.90%	2.00%
Overall anticipated out-performance above gilts	1.40%			
Discount Rate	5.90%	2.70%	6.10%	3.20%
Pay Increases	5.20%	2.00%	4.90%	2.00%
Price Inflation / Pension Increases	3.20%	0.00%	2.90%	0.00%

The valuation was carried out using the Fund value and staffing data as at 31 March 2007. The corresponding revisions to the employers' contribution rates took effect from 1 April 2008 and the final year of the three year schedule of rates is reflected in this year's accounts.

2010 Valuation

The latest actuarial revaluation was carried out as at 31 March 2010 and revisions to the employers' contribution rates will take effect from 1 April 2011. The effect of these changes will be accounted for in next year's accounts, ending 31 March 2012.

Also, since 31 March 2010, various events have had an effect on the financial position of the Fund. Equity markets have risen, bond yields have fallen and anticipated price inflation has fallen (the switch from RPI to CPI-based pension increases has been taken into account in the 2010 valuation). The table below compares the 2007 and 2010 valuation results and the position estimated by Hymans, based on market conditions as at 28 February 2011.

Valuation Results	31 March 2010 £m	31 March 2007 £m	THEORETICAL 28 February 2011 £m
Total Liabilities	1,330	1,144	1,417
Market Value of Assets	1,041	1,012	1,158
Deficit	**289**	**132**	**259**
Funding Level	**78.3%**	**88.4%**	**81.7%**
Employers' Contribution Rate			
Future Service Rate	16.5%	16.0%	16.4%
Past Service Adjustment	7.1%	3.1%	6.4%
Total Common Contribution Rate	**23.6%**	**19.1%**	**22.8%**
Deficit Recovery Period	**20 years**	**20 years**	**20 years**

Note P5

Specific Items

The accounts for the year ended 31 March 2011 use the valuations for the Fund's assets based on the figures provided by the Council's custodian, The Northern Trust Company.

Under standard accounting practices, equity dividends due to the fund, as at 31 March 2011, have been accrued in these accounts. This accrual amounts to £5.627m compared with £5.530m as at 31 March 2010.

The Pension Fund includes, as admitted bodies, several limited companies. In the event that any of these companies cease to trade and staff are made redundant, there is a potentially unfunded liability to pay immediate benefits to all redundant staff aged 55 and above. In certain cases, guarantees have been obtained from other organisations that they would accept responsibility for any such liability.

The tax debtor for amounts receivable as at the end of March 2011 stood at £1.192m, of which £0.107m was in respect of monies due on property unit trusts.

Note P6

Analysis of Total Contributions and Benefits

The total contributions receivable and benefits payable during the year ending 31 March were:

	Cornwall Council £m	Scheduled Bodies £m	Designatory Bodies £m	Admitted Bodies £m	2011 £m	2010 £m
Contributions Receivable						
From Employers	38.564	5.970	0.949	3.483	48.966	54.988
Augmentation Receipts	0.019	-	-	-	0.019	1.203
From Employees (normal and additional)	12.800	2.073	0.329	0.962	16.164	16.394
Transfers In	4.439	0.263	1.590	0.058	6.350	9.011
Other Income	0.005	-	-	-	0.005	0.011
Total Income	**55.827**	**8.306**	**2.868**	**4.503**	**71.504**	**81.607**
Benefits Payable						
Pensions	34.460	2.540	0.483	1.809	39.292	36.983
Lump Sums	9.888	1.027	0.438	1.322	12.675	14.258
Death Benefits	0.937	0.163	0.085	0.060	1.245	0.895
Payments on Account of Leavers						
Refunds of Contributions	0.007	-	-	-	0.007	0.005
Transfers Out	1.807	0.381	-	0.054	2.242	6.220
Total Expenditure	**47.099**	**4.111**	**1.006**	**3.245**	**55.461**	**58.361**

The Council's scheduled bodies, as at 31 March 2011, are as follows:

Bodmin College
Camborne School of Mines
Carrick Housing Limited
Cornwall College
Cornwall Joint Crematorium Committee
Cornwall Sea Fisheries
Council of the Isles of Scilly
Devon & Cornwall Magistrates
Devon & Cornwall Probation
Falmouth & Truro Port Health Authority
Fowey Port Health Authority
Newquay Junior School
St Buryan Academy
Sandy Hill Academy
Tamar Bridge & Torpoint Ferry Joint Committee
Trenance Learning Academy
Truro & Penwith College
University College Falmouth

Note P7

Investment and Administration Expenses

For the years ended 31 March, the analysis of administration expenditure was as follows:

	2011 £m	2010 £m
Investment and Administration Expenses		
External Investment Management Expenses	3.388	3.225
Internal Investment Monitoring and Accounting Expenses (including Strategic Planning)	0.167	0.142
Pensions Administration Expenses	0.546	0.515
Total Investment and Administration Expenses	**4.101**	**3.882**

External investment management expenses are, in the main, based on the value of those assets held under each manager's control.

Note P8 Investment Income

The income to the Fund generated by the Fund's investments, net of tax and before taking into account the movement on currency transactions, amounted to £28.252m. After deducting the loss of £2.435m on currency and foreign exchange transactions there was an overall return on investments of £25.817m. Investment income for the years ended 31 March was received from the following sectors:

	2011 £m	2010 £m
Fixed Interest Securities	0.002	0.002
Index Linked Securities	-	-
Unit Trust Bonds	6.933	9.620
UK Equities	7.024	7.347
Overseas Equities	9.620	9.109
Private equities and infrastructure	0.376	NA
Gain on foreign currency transactions when trading overseas equities	1.814	1.065
Property Unit Trusts	3.470	2.180
Income from derivatives trading (i.e. futures)	0.817	3.504
Interest on cash deposits and temporary loans [1]	0.581	0.343
Gross Investment Income	**30.637**	**33.170**
Other Income		
Commission Recapture [2]	0.004	0.007
Stock Lending [2]	0.325	0.322
Gain/(Loss) on passive currency overlay	(4.249)	9.747
Less		
Irrecoverable Taxation	(0.900)	(1.325)
Net Investment Income	**25.817**	**41.921**

[1] In the 2009-10 accounts, the quoted £0.343m interest on cash deposits and temporary loans included £0.075m income from private equities and infrastructure.

[2] Commission recapture and stock lending are treated as 'Other Income' in the Fund Account as they are not interest or dividend but a gain from employing fund assets.

Note P9 Securities Lending

The Pension Fund has an arrangement with its custodian, the Northern Trust Company, to lend stock from within the various portfolios held. Income received as a result is included within investment income (see Note P8 above). At 31 March 2011, £32.0m worth of stock was on loan. In return, the Fund held collateral totalling £34.5m.

Note P10 Valuation of Investments

Note P3 explains the accounting policies for the basis of valuation. The following table shows the change to investment assets in the year:

Investment Assets	Value 1 April 2010 £m	Purchases at cost £m	Sales Proceeds £m	Change in Market Value £m	Value 31 March 2011 £m
Fixed Interest Securities					
Corporate Bonds	0.066	-	-	0.015	0.081
Equities					
UK Equities	237.035	93.012	(75.066)	21.857	276.838
Overseas Equities	420.450	204.530	(194.647)	30.513	460.846
Derivatives					
Equity Futures	10.628	43.198	(43.199)	0.839	11.466
Forward Currency	(6.605)	-	-	4.752	(1.853)
Unit Trusts					
Property Unit Trusts	67.458	11.492	(5.032)	4.313	78.231
Currency Funds	33.584	-	-	2.081	35.665
Hedge Funds	15.173	-	-	0.716	15.889
Unit Trust Bonds	149.697	8.683	-	1.811	160.191
Alternative Assets					
Private Equities	45.661	4.798	(2.851)	3.743	51.351
Infrastructure Fund	5.816	0.732	(0.125)	0.765	7.188
Environmental Technology Fund	1.229	0.588	-	(0.137)	1.680
M & G UK Financing Fund	-	2.636	(0.017)	0.021	2.640
Total Investment Assets (excluding Other Assets and Investment Liabilities on the Net Assets Statement)	**980.192**	**369.669**	**(320.937)**	**71.289**	**1,100.213**
Other adjustments for revaluation of debtors and other funds				(0.042)	
Other Assets and Liabilities	33.145				28.503
Total Investment Assets as per Net Assets Statement	**1,013.337**			**71.247**	**1,128.716**

At 31 March 2010, the fund managers' portfolios were valued as follows:

Fund Manager	£m	% of Total
Alliance Bernstein	56.782	5.0
Capital International	257.507	22.7
Environmental Technology Fund	1.680	0.1
Fauchier Partners	15.889	1.4
GMO UK	103.829	9.1
Infracapital Partners	7.324	0.6
ING Real Estate	80.284	7.1
Insight Investment Management	160.200	14.1
Legal and General Investment Management	62.876	5.6
M & G UK Financing Fund	2.657	0.2
Mellon Global Investments	8.805	0.8
Millennium Global Investments	53.697	4.7
Newton Investment Management	272.007	24.0
Standard Life Investments	18.977	1.7
Wilshire Associates	32.489	2.9
Total Investments with external managers (excludes forward currency, tax and investment income receivable)	**1,135.004**	**100.0**

Note P11

Analysis of Managed Fund Type Investments

For the purpose of these accounts, Managed Fund holdings are those pooled products issued by an investment house in order to gain an exposure to a particular investment area, such as overseas fixed interest or to a geographical area such as Pacific Basin or Far East emerging markets. They usually take the form of an investment or unit trust and could have a restricted membership for the purpose of tax exemption.
The market values of managed funds (unitised and other) held at 31 March were:

Managed Funds	2011 £m	2010 £m
UK Equities	70.024	46.869
Overseas Equities	48.118	51.704
Private Equities	51.351	45.661
Property Unit Trusts	78.231	67.458
Currency Funds	35.665	33.584
Hedge Funds	15.889	15.173
Unit Trust Bonds	160.191	149.697
Infrastructure Fund	7.188	5.816
Environmental Technology Fund	1.680	1.229
M & G UK Financing Fund	2.640	-
Total Managed Funds	**470.977**	**417.191**

Note P12

Analysis of Listed and Unlisted Holdings

The listed and unlisted holdings as at 31 March were:

	Unlisted £m	Listed £m	2011 £m	Unlisted £m	Listed £m	2010 £m
Investment Assets						
Fixed Interest Securities						
Corporate Bonds	-	0.081	0.081	-	0.066	0.066
	-	0.081	0.081	-	0.066	0.066
Equities						
UK Equities	70.024	206.814	276.838	46.864	190.171	237.035
Overseas Equities	48.118	412.728	460.846	51.704	368.746	420.450
	118.142	619.542	737.684	98.568	558.917	657.485
Derivatives						
Equity Futures	-	11.466	11.466	-	10.628	10.628
Forward Currency	(1.853)	-	(1.853)	(6.605)	-	(6.605)
	(1.853)	11.466	9.613	(6.605)	10.628	4.023
Unit Trusts						
Property Unit Trusts	78.231	-	78.231	67.458	-	67.458
Currency Funds	35.665	-	35.665	33.584	-	33.584
Hedge Funds	15.889	-	15.889	15.173	-	15.173
Unit Trust Bonds	160.191	-	160.191	149.697	-	149.697
	289.976	-	289.976	265.912	-	265.912
Alternative Assets						
Private Equities	51.351	-	51.351	45.661	-	45.661
Infrastructure Fund	7.188	-	7.188	5.816	-	5.816
Environmental Technology Fund	1.680	-	1.680	1.229	-	1.229
M & G UK Financing Fund	2.640	-	2.640	-	-	-
	62.859	-	62.859	52.706	-	52.706
Total Investment Assets (excluding Other Assets and Investment Liabilities on the Net Assets Statement)	**469.124**	**631.089**	**1,100.213**	**410.581**	**569.611**	**980.192**

All of the unitised management funds set out in Note P11 are also included in the "unlisted" category above, as they are restricted for tax exemption purposes. Those assets in the "listed" category are included in the appropriate stock exchange listings.

Note P13

Derivatives

The Fund holds investments in derivative instruments with limitations on their use in that they are employed solely for the reduction of risk and to facilitate the efficient portfolio management. A derivative is a financial contract held between two parties with a value represented by the underlying assets. For the Cornwall Fund there were two types of

derivative contracts open at the financial year end and these were futures and forward currency. Futures are traded on exchange using the exchange price at the closing date. Forward currency or forward foreign exchange currency are over the counter contracts and are valued by the gain or loss that would arise if the contract was closed at the reporting date. That position is shown by entering into an equal and opposite contract at that date.

Future Contracts open positions as at 31 March 2011

FTSE 100 Futures Jun 11 – 188 contracts

Value £11,062,860 less cost £10,528,000 = £534,860 (market position)

EURX STXX 50 Futures Jun 11 – 16 contracts

Value £402,849 less cost £386,878 = £15,971 (market position)

Total Value of Future contracts open = £11,465,709
(at 31 March 2010 the value of open contracts was £10,628,497)

Forward Currency open positions as at 31 March 2011

Purchase value less cost £199,290,289 - £199,226,781 = £63,508

Sale value less cost -£201,143,237 -(- £199,226,781) = -£1,916,456

Total unrealised loss on currency = - £1,852,948
(at 31 March 2010 there was an unrealised loss on currency of £6,605,113)

Note P14

Lump sums Payable

At the year end there were known items of income and expenditure that were required to be settled early in the following year in respect of staff leaving Cornwall Council. These comprised income from employers in respect of pensions strain costs and lump sum payments made early in April 2011 for a number of employees who were permitted to retire either normally or early under the regulations. These amounts were accrued in the accounts.

Note P15

Additional Voluntary Contributions (AVC)

The Fund has two AVC providers, Equitable Life and Standard Life. Equitable Life's funds are closed to new entrants but the value of the fund investments, at the year end, was £1.004m. The Standard Life fund movement for the year was as follows:

Value 1 April 2010 £000	Contributions £000	Investment Return £000	Paid Out £000	Value 31 March 2011 £000
1,785	141	98	(342)	1,682

The change to the Pension Regulations, in April 2006, allows employees to pay more into their AVC account and to receive the proceeds as cash at retirement, providing tax limits are not exceeded. The amount of benefits paid out reflects the volume of employees leaving employment with immediate access to their pension benefit. These contributions are excluded from the Pension Fund accounts as they do not feature in the financial reporting requirements, as outlined in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 section 4(2)(b).

Note P16

Contingent Asset

Cornwall Pension Fund has potential claims against the HM Revenue and Customs and some European countries for tax withheld on foreign income dividends. KPMG, acting on behalf of the Cornwall Fund, have continued to pursue these claims during 2010-11. The value of claims still outstanding is in excess of £0.5m.

These claims are made on the basis that within the European Union all member states should enjoy the same status. In respect of tax, resident investors should not be classed differently to non-residents. Recent court cases, notably Manninen and Fokus, have added to the strength of the argument. Whilst it is prudent for the Cornwall Fund not to make any assumptions, the Netherland settlement received in 2009 lends some optimism as to the success of recovering additional income for the Fund.

Further claims were registered in the High Court in 2009-10 for potential tax recovery from HMRC in respect of manufactured dividends on equity stock lent out through the stock lending programme. If successful this will give rise to annual claims. The claim to date has a value in excess of £1m, although no accrual was put in the accounts as the outcome is uncertain.

Note P17

Performance

The Council subscribes to a portfolio performance analysis service provided by BNY Mellon Asset Servicing, a consortium of actuaries. The Mellon annual report examines the performance and structure on both private and public sector portfolios, representing a combined market value of several hundred billion pounds.

The Cornwall Fund employs a fixed benchmark thus enabling comparisons to be made directly with the underlying financial markets, both in respect of asset class and geographical distribution. The table set out below details weightings for each of the asset classes specified by region.

During the year ended 31 March 2011 the total return for the combined Fund was 9.8% compared to the benchmark index return of 7.8%. The returns for the individual fund managers, in the same period, are shown in the following table.

Returns 2010-11	Portfolio Return %	Benchmark Return %
Alliance Bernstein (Global)	4.0	7.9
Capital International	10.4	7.6
GMO UK	12.1	8.7
ING Real Estate	9.2	9.1
Insight Investment Management	6.0	5.3
Legal and General Investment Management	8.8	8.7
Newton Investment Management	11.3	7.6
Total Fund	**9.8**	**7.8**

The performance returns shown above are for the main funds. Private equity funds are not shown separately because the investments are not fully drawn down at this stage and therefore meaningful internal rates of return are not available.

Note P18

Taxation

The Fund is exempt from UK income tax on interest and from capital gains tax on the proceeds of the sale of investments. It is unable to reclaim any UK tax paid on UK Equity Dividends.

The Fund is also exempt from Australian and United States' withholding tax on dividends from investments and recovers withholding tax deducted in some European countries. For further information see note P16.

Note P19

Related Party Transactions

Cornwall Council is the administering authority for the purpose of the Fund, under the Local Government Pension Scheme Regulations 2000. The majority of investments are managed by external fund managers, although during the year a small proportion was held as cash and controlled by Cornwall Council, within a Pension Fund nominated money market account. Transactions with the Fund in respect of employees in the Scheme are shown in Note P6.

Included in Administration expenses and Investment Management expenses are charges amounting to £0.713m incurred for the internal costs of providing these services during the year to 31 March 2011 (£0.657m for the year to 31 March 2010).

Note P20

Annual Report

The Pension Fund Annual Report and Accounts provides more detailed information on the Fund and on the Pension Scheme. It may be viewed on the Pension Fund website at www.cornwallpensionfund.org.uk or a printed copy may be obtained by writing to:
Pension Fund Investments Section,
Cornwall Council,
Room 110, New County Hall,
Truro, Cornwall, TR1 3AY

Fire Fighters' Pension Fund Account

The funding arrangements for the fire fighters' pension scheme changed on 1 April 2006. Before April 2006, the employer did not make contributions into a fund based upon a percentage of pay. The employer was responsible for its own fire fighters on a pay-as-you-go basis.

Under the new arrangements, Cornwall Council no longer meets the cost of pensions directly, instead paying its contributions into a fund. The fund will also receive contributions from employees and transfers from other pension funds. It will also pay out pensions to retired fire fighters and to other pension funds if a scheme member transfers out. The fund has no investment assets and is balanced to zero each year either by the receipt of a top-up grant from the Department for Communities and Local Government, or by paying the surplus over to the government.

Fund Account	**2010/11 £m**	**2009/10 £m**
Contributions Receivable:		
Fire Authority:	(1.694)	(1.708)
Contributions in relation to pensionable pay		
Early retirements		
Other	(0.022)	-
Firefighters Contributions	(0.975)	(0.953)
Transfers in from Other Authorities	(0.053)	(0.265)
Benefits Payable:		
Pensions	3.095	2.998
Commutations and lump sum retirement benefits	0.934	1.126
Lump Sum Death Benefits		-
Payments to and on account of leavers:		
Transfers out to other authorities	-	-
Refunds of contributions	-	-
Net amount payable for the year	**1.285**	**1.198**
Top-up grant payable by the Government	(1.285)	(1.198)
	-	-

Net Assets Statement	31 March 2011 £m	31 March 2010 £m	1 April 2009 £m
Current Assets			
Top-up receivable from the Government	0.703	0.994	0.280
Outstanding contributions from employees	-	-	0.020
Current Liabilities			
Amounts payable to central government		-	(0.397)
Amount owing to the General Fund	(0.703)	(0.994)	0.097
Total	**-**	**-**	**-**

The accounting policies followed are those set out in the main Statement of Accounting Policies.

This Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date.

Further information on Pension Scheme Assets and Liabilities can be found at the relevant note in the Main Financial Statements.

Glossary

Glossary

This section helps explains some of the more technical terms used in the Statement of Accounts.

Accounting Policies
The policies, concepts and conventions used in the preparation of the accounts.

Accruals

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31st March.

Actuarial Gains and losses

Employees of the County Council are members of defined benefit pension schemes. Actuarial gains and losses arise because events have not coincided with actuarial assumptions made in the previous valuation or because the actuarial assumptions have changed.

Area Based Grant

A non ring fenced general grant with no conditions on use imposed as part of the grant determination ensuring full local control over how funding can be used.

Assets held for sale

These are long-term assets which are surplus to the Council's operational needs and are being actively marketed for sale.

Best Value Accounting Code of Practice

This code of practice details standard definitions of services and total cost to enable spending comparisons to be made with other local authorities.

Capital Expenditure

Expenditure on the acquisition of a long-term asset or expenditure which adds to and not merely maintains the value on an existing long-term asset.

Capital Financing Costs

The costs of financing long-term assets, being the interest costs of external loans and monies used to repay debt.

Capital Receipts

Income received from the sale of long-term assets.

Central Support Services

These are services provided by the central departments of the Council in respect of finance, personnel, legal, administration and property.

Contingent Asset

A contingent asset is a possible asset which could arise following the occurrence of a future event outside the Council's control.

Contingent Liability

A contingent liability is a possible liability which could arise following the occurrence of a future event outside the Council's control or is a present obligation where it is not possible to measure the outcome with sufficient reliability.

Council Tax Precept

A property based tax that is set and administered by the Council, alongside the share of Council Tax levied by the Devon & Cornwall Police Authority and other Town and Parish Councils in Cornwall

Creditors

Amounts owed by the Council for work done, goods received or services provided, but for which payment has not been made by the 31st March.

Curtailment

Within the defined benefit schemes impacting on the financial results of the Council, curtailment will arise if an event occurs reducing the expected future service of employees. Normally, this arises from redundancy or early retirement or if there is an amendment to terms impacting on current employees.

Debtors

Debtors represent amounts due to the Council which are unpaid at 31st March.

Defined Benefit Scheme

Defined benefit pension schemes prescribe the amounts members will receive as a pension regardless of contributions and investment performance. Employers are obliged to fund any shortfalls.

Depreciation

Depreciation is the fall in value of an asset, as recorded in the financial records, due to wear and tear, age and obsolescence.

Expected Rate of Return on Pensions Assets

The expected rate of return on pensions' assets is the average return expected during the remaining period of pension obligations.

Finance Leases

This is where the eventual benefit of the asset will pass from the leasing company to the Council. Annual payments are a combination of interest and the purchase of the asset.

IFRS

International Financial Reporting Standards

Imprest Account

Petty Cash Accounts used for small items of expenditure.

Inventory

Previously referred to as 'stock'.

Investment Properties

These are long-term assets held by the Council solely for rental income or capital appreciation.

LATS – Landfill Allowance Trading Scheme

A 'cap and trade' scheme between Waste Disposal Authorities designed to reduce the overall amount of biodegradable municipal waste disposed of in landfill sites.

LOBO - Lender Option Borrower Option

A financial instrument which is typically very long-term - for example 40 to 60 years. The initial interest rate is fixed, but the lender has the option to nominate a revised rate at periodic reset dates. The reset dates are nominated at the time the loan is taken out. The borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

Long-Term Assets

Long-term assets are tangible assets intended to be used for several years.

Minimum Revenue Provision

The amount set aside to repay external debt.

National Non-Domestic Rates

A tax collected locally by the Council from commercial undertakings and paid to Central Government. It is then redistributed to county, unitary, borough and district councils on the basis of the resident population.

Operational Assets

These are long-term assets held by the Council required to support the provision of services.

Operating Leases

This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the Comprehensive Income & Expenditure Account.

Past Service Costs

Where pension scheme members receive enhanced or new benefits, the increase in the present value of future liabilities will be accounted for as past service costs.

Provisions

These are sums set aside to meet liabilities or losses that are likely to be or will be incurred, but the dates on which they will arise are not fully known at the date that the Statement of Accounts is approved.

Reserves

Amounts set aside to meet the cost of specific future expenditure.

Revenue Contributions to Capital Expenditure

The amount of capital expenditure financed directly from the annual revenue budget.

Revenue Expenditure Funded From Capital Under Statute

Capital expenditure for which no tangible long-term asset exists therefore is transferred to revenue

Revenue Support Grant (RSG)

A general Central Government grant paid to the Council in support of annual revenue expenditure.

Statement of Recommended Practice (SORP)

This relates to the Code of Practice on Local Authority accounting that is published by the Chartered Institute of Public Finance and Accountancy.

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Annual Governance Statement

Annual Governance Statement

This section gives the results of our annual assessment of how well we are managing and controlling risks to achieve our aims and meet the responsibilities we have in law.

1. Scope and Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and managing risk.

This statement outlines how Cornwall Council delivers its governance requirement and the results of its 2010/11 review to ensure governance effectiveness. The statement also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 which requires that the Council publishes a statement on the effectiveness of the Council's internal control arrangements.

2. The Governance Framework

The governance framework comprises the systems, processes and structures by which the Council is directed and controlled. These include those required to enable the Council to engage with, account to and lead its communities. The framework enables the Council to set the right objectives and manage the achievement of the objectives whilst ensuring delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and amongst other things is designed to manage risk to a reasonable level. The system of internal control can not eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable and not absolute assurance of effectiveness. The system includes processes to identify the risks to the achievement of the Council's aims and objectives; to assess the likelihood of the risks crystallising; and to manage the risks appropriately given the agreed objectives.

In order to discharge its responsibilities for effective governance including the management of risk, the Council has adopted a Code of Corporate Governance (Cornwall Council Local Code of Corporate Governance). This is consistent with the six principles of 'good governance' as identified in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government;

- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

The Local Code identifies the principal structures, systems, processes and supporting arrangements that the Council has in place to ensure that these principles are complied with. It is designed to enable all stakeholders to understand how the Council operates and governs itself and is supported by an extensive library of policy and process documents that provide detail of the precise requirements.

3. Review of Effectiveness

The 2010/11 review of effectiveness included the following key areas of activity:

Corporate Business Planning; the Council has comprehensive arrangements for identifying and prioritising stakeholders' requirements. This work culminates in the production of the Council's Corporate Business Plan. The Corporate Business Plan is a four year plan which was approved in April 2010 and which is updated annually (March 2011). The Corporate Business Plan is then used as the basis for the production of annual directorate and service business plans following similar reviews of their performance and identification and prioritisation of their stakeholder requirements.

The update of the 2010/14 Corporate Business Plans commented on progress made and still to be made in the seven areas identified as 'fix' priorities last year. There have been notable improvements in all areas however it is clear that there is still high priority work required in relation to Children's Safeguarding Services (see External Audit and Inspection below and Significant Governance [Control] Issue 5.1).

Corporate Performance and Risk Management; the Council has established arrangements for the management of its corporate objectives as detailed in the Corporate Business Plan. Considerable progress has been made across the year to develop these arrangements. The arrangements see the Cabinet and the Corporate Leadership Team receiving a monthly Integrated Performance Report. This report provides data on progress against the agreed performance objectives of the Council, as well as data on the corporate improvement programme and the Council's finances and establishment management arrangements and corporate risks.

Consistent with the requirements of the Council's Constitution and Accounts and Audit Regulations 2011 the Head of Finance has reviewed and reported on the Council's arrangements for the management of risk. This review was supported by a review of the arrangements carried out by the Audit Commission. The review as reported to the Audit Committee in May concluded that the Council has now established risk management which are generally effective but needing to improve further.

The Directorate Leadership Team arrangements for the management of performance and risk reflect and support the above arrangements for the management of corporate performance and risk. Performance against these Directorate arrangements is reviewed annually. The 2011 review identified that overall arrangements were generally effective, with two directorates being seen to be considerable above the minimums required and all directorates being assessed as improving. Notwithstanding this the centrality of the arrangements is such that further improvements are still required. The need for further

improvement was also formally recognised by the Audit Committee. As such this area represents a Significant Governance [Control] Issue (5.2).

Internal Audit Programme; the Council's Internal Audit service carries out a comprehensive programme of review activity. Internal Audit's work is based around the core risk areas faced and includes significant work on the main financial and information management systems.

The Head of Internal Audit's opinion on the adequacy and effectiveness of the Authority's system of internal control for the financial year 2010/11 (as reported to the Audit Committee in April 2011) is that it is reasonable with a need for improvement. This continues to reflect the considerable structure and systems changes required of the Council in its first two years of operation. The control position represents a strengthening of the arrangements over the last year.

Internal Audit's reviews in the year identified six system areas where the control arrangements were unsatisfactory and there was high residual risk. Given the risk in these areas each is to be treated as a Significant Governance [Control] Issue (5.3 to 5.8).

The Internal Audit Programme also covered the results of the 2011 Employee Survey. The Survey identified a range of positives and good progress in addressing weaknesses identified in the 2010 survey. The survey also indicated that we were in line or ahead in some areas, of Sector averages. Nonetheless the results and the latest data from the Health, Safety and Wellbeing area indicated a number of areas where attention is required if the Council is to continue its progress. These included; dissatisfaction with line management, the effectiveness of the appraisal system, attendance management, change management arrangements, and development and career progression opportunities. This area is therefore seen to represents a further Significant Governance [Control] Issue (5.9).

Local Code of Corporate Governance; the Council has in place a Local Code of Corporate Governance. The Local Code of Corporate Governance identifies the principles of good governance and transparency to which the Council subscribes and identifies the structures, systems and processes that the Council has established to ensure that it achieves good governance in practice.

The Code was reviewed and refreshed in 2010 to reflect the developing governance framework of the Council and a further review is currently being undertaken to include the most recent changes, for example, the Council's Petitions Scheme and the improvements to the Council's decision making process. Once the current review is completed the revised Code will reported to the Leader for approval. The Code is seen as integral to enabling stakeholders to understand how the Council operates and manages its business and the intention is in 2011/12 to use it much more proactively and extensively. **Action: Head of Legal and Democratic Services**

Director Assurance Statements; Corporate Directors have completed statements detailing their confidence in their directorate arrangements for managing the recognised core risk areas. This reflects the Corporate Directors' responsibility for both the management of risk and the effectiveness of controls in their directorates.

Overall when compared with the 2010 position the Corporate Directors indicated an increased confidence as to the effectiveness of their systems. This is believed to reflect the increased maturity of the directorate systems and structures.

Service Heads with 'functional' responsibility for the core risk areas were also required to review and report 'independently' of the Directors on the effectiveness of the core management systems in each directorate. The statements received in this regard again suggested that overall the management systems are as a minimum reasonably effective in each directorate.

Partnership Governance Arrangements; An important part of the Councils arrangements for delivering services, programmes and projects is through working in partnership. Up to 2011 Partnerships that met the designated criteria of being "significant" by virtue of the Council's contributions or risks being above the thresholds stipulated in the Constitution, are recorded on the Council's Partnership Register and required to comply with the Partnership Governance Framework.

The partnership landscape nationally is going through significant changes and the Council's approach to managing partnership risk is being evolved to reflect the new ethos and structural arrangements. Responsibility for monitoring the effectiveness of partnerships that the Council is involved with will, in the future, fall to the relevant directorate, rather than being held centrally. Amongst other things this should provide increased assurance that Partnership objectives are appropriately aligned to the Council's business objectives and managed consistent with the agreed corporate arrangements.

Role of the Executive; the Council's Executive is responsible for the overall management of the Council. It is subject to review by the Council's Overview and Scrutiny Committees.

The Cabinet meets on a monthly basis and the effectiveness of decision-making is ensured by a robust Pre-Agenda meeting followed by a rigorous report clearance process. The Section 151 Officer and the Monitoring Officer attend each meeting of the Cabinet and meet together prior to the date for Agenda despatch to ensure that the financial and governance aspects of decisions are fully addressed.

A Cabinet decision-tracking process has now been introduced to ensure that decisions are implemented or that the reasons are fully understood if they are not proceeded with.

Executive decisions are also taken by individual Cabinet Members and Corporate Directors through documented processes. Contributions to effective executive decision-making are made through Overview and Scrutiny Committees, Cabinet Advisory Panels and informal Cabinet Member Working Groups.

Internal Audit review work on the information available to support member decision making identified a number of areas of weakness and this is reflected as a Significant Governance [Control] Issue (5.4).

Role of the Chief Financial Officer; CIPFA guidance indicates that the Corporate Director for Resources, as the Council's Chief Financial Officer, should be contributing to the effective leadership and corporate management of the authority, supporting effective governance through the development of corporate governance arrangements and corporate decision making, leading or promoting change programmes and leading the development of the medium term financial strategy and annual budgeting processes.

A review of the role of the Corporate Director for Resources indicates this to be the case and no issues of significance have been identified in relation to the role of the Chief Financial Officer.

Role of the Audit Committee; the Council's Audit Committee has a standing brief to review the effectiveness of the Authority's Risk Management arrangements, internal control environment and associated Anti Fraud and Corruption arrangements. The Committee does this through, amongst other things, over seeing the work of Internal Audit and External Audit.

An Internal Audit review of the effectiveness of the Audit Committee (March 2011) confirmed that the Committee was meeting the standards expected of it based upon Cipfa Guidelines. Discussions with the Committee representatives and those routinely engaging with the Committee suggest that the Committee is now well established and providing robust challenge.

The concern raised last year in relation to a high level of cross membership with Overview & Scrutiny Committees has been rectified with cross membership now limited to 50% of the membership of the Audit Committee. The Council has also determined to appoint two non-voting, external members to serve on the Committee in order to further strengthen the arrangements and the Audit Committee Development Group are progressing this initiative. Based upon this there are no Significant Governance [Control] Issues in relation to the operation of the Audit Committee.

Role of the Standards Committee; the Council's Standards Committee is responsible for promoting and maintaining high standards of conduct by
Members, co-opted members, the Council's School Governor representatives and the Members of 214 Town and Parish Councils in Cornwall.

The Committee advises the Council on the adoption, revision and promotion of the Members' Code of Conduct and deals with local assessments, appeals and hearings brought to it in relation to perceived breaches of the Code.

The Standards Committee also deals with the local assessment of complaints made under the Code of Conduct, reviews of decisions over whether complaints should be investigated and hearings following the completion of Code of Conduct investigations. During the past year the Committee has dealt with 107 complaints and the average period for their consideration has been well below the 20 day target guide set by Standards for England.

There are significant changes proposed for the standards regime through the Localism Bill and the Standards Committee has made representations to the Government to inform those future changes. It is most likely that the coming year will be a period of considerable change for the Standards Committee while at the same time there will be a need for there to be 'business as usual'.

The Committee reports to the Council annually on its work and this report has been reviewed and it is not believed to contain any Significant Governance [Control] Issues although the uncertain future of the Standards Committee is noted.

4. 2009/10 Significant Governance [Control] Issues;

The 2009/10 Annual Governance review identified four Significant Governance [Control] Issues. These were the subject of regular review and a progress report to the Council's Corporate Leadership Team in January. Each of the four is considered below;

The 2010 Corporate Business Plan identified that the Council had work to do to **fix service failings** in a number of significant areas. It is clear that considerable progress in this area has been made in the year to date which includes the weaknesses in both the Fire and rescue and Adult Care services being seen as fully removed. Further work is however still required in a number of areas most notably in Children's Safeguarding.

Both the Internal Audit and External Audit 2009/10 work programmes identified that the Council's **internal control environment was weak**. In the main this reflected undue reliance being placed upon 'secondary' controls to ensure the Council did not suffer loss as a result of the very significant systems and organisational change that took place in the year.

The results of the 2010/11 review programmes indicate that the required improvement in the control environment has been delivered albeit further improvements are needed.

Overall the 2010 Director Assurance Statements identified only reasonable confidence that **directorate internal control and risk management arrangements** were effective. The 2011 Director Assurance Statements indicate a significant increase in confidence. This increase is supported by the assessments received from the Service Heads who have 'functional' responsibility for the risks.

The Council failed to establish appropriate arrangements for the timely completion of its **Final Accounts** for the 2009/10 year. In response to the failure a full review of the 2009/10 closedown process was undertaken. This identified that the failure came primarily from an underestimation of the impact of the very significant changes in the financial systems and structures in the year.

The review also identified that further 'systems improvement' work in this regard was required to ensure similar problems did not happen in the future, particularly in the move to the new ERP system. Given the risks faced in both areas project managers were deployed from the Improvement Team to manage the projects and both projects were the subject of formal bi-weekly review by the Finance Service Management Team as well as monthly reporting to the Resources Directorate Leadership.

At the time of reporting the expectation is that the Final Accounts for 2010/11 will be produced on time and to the quality standard required as a result of the enhanced project management arrangements established.

5. 2010/11 Significant Governance [Control] Issues

The Council has made significant progress over the last year in introducing and embedding enhanced control arrangements and overall, governance arrangements are considered to be adequate albeit with scope for improvement. The 2010/11 review of effectiveness has highlighted the following Significant Governance [Control] Issues which will be addressed as a matter of priority.

5.1 Children's Safeguarding Services; An inspection of Safeguarding and Looked After Children services was carried out in January 2011 by Ofsted. Whilst it was noted that there was an overall improvement and significant improvements in a range of areas including performance management arrangements and audit systems to address quality assurance issues, the review also identified a small number of fundamental weaknesses. These fundamental weaknesses resulted in an overall assessment of inadequate. In response a detailed action plan for improvement has been prepared and submitted and the plan has now received Ministerial agreement. The agreed plan will then be monitored by the Children, Schools and Families Overview & Scrutiny Committee in addition to the normal management and Cabinet review and monitoring arrangements. **Responsible Officer: Corporate Director – Children Schools and Families**

5.2 Directorate Performance and Risk Management; The Council has now established performance and risk management arrangements that are viewed as generally effective, with two directorates being seen to be considerable above the minimums required and all directorates being assessed as improving. However given the centrality of performance and risk management to the long term success of the organisation, continued development work is appropriate to embed the arrangements into all areas and to ensure that the Council maximises its effectiveness and use of resources. The Directorate Leadership Teams are tasked to do this but it was noted that the challenge is significant given the scale and complexity of the organisation and this is reflected in the agreed corporate oversight and support arrangements that have been established. **Responsible Officer: Assistant Chief Executive**

5.3 Council Tax; Although the collection rate target for Council Tax was exceeded this year and the section is seen as performing well in terms of service delivery as a whole, the Internal Audit review identified that control effectiveness was poor in respect of controls over the application and monitoring of codes to suspend recovery action. In relation to this the review identified what looks like an excessive number of accounts where recovery action was on hold and inadequate arrangements for challenging and testing these. Some historic weaknesses were also noted in respect of reconciliations. Progress on these issues is being furthered particularly in relation to the need for the reconciliations to be fully up to date. **Responsible Officers: Corporate Director - Communities and Corporate Director - Resources**

5.4 Elected Members Information (Decision making); The Internal Audit review of the information provided to support; decisions made by Cabinet, decisions made by individual Cabinet Portfolio holders and decisions made under Urgency powers, identified that there were issues in relation to compliance with internal standards as well as Audit Commission Best Practice. Although minutes of meetings note detailed debate of reports and the review did not identify any information to suggest decisions made were not appropriate the review concluded that control effectiveness was poor. Reporting requirements in this area reflect the importance of Members having the required information to make the right decisions and to ensure that decisions can be understood and effectively scrutinised. A detailed action plan which includes a review of best practice standards has been agreed and is in place. **Responsible Officer: Corporate Director - Resources**

5.5 Procurement of contracts below the PAS threshold; The Internal Audit review of the systems and processes for procuring contracts which fall below the requirement to follow the PAS (Procurement Assurance Scheme) process (ie those valued at below £50,000) concluded that the overall effectiveness of controls was poor. It is acknowledged in this regard that effort to date has been focussed on controls surrounding the award of high value

contracts this being where the Council is most exposed to loss and in relation to that area considerable improvements have been made. The report found that attention now needs to be given to lower value contracts (which in total constitute a significant value) to ensure the Council's maximises the total value of its procurement spend. Internal Audit are working with the Procurement and HR services and with the Corporate Director – Resources, to develop an action plan which is likely to result in Policy changes, new arrangements to increase awareness and address training needs as well as a regime for monitoring and policing compliance. **Responsible Officer: Corporate Director - Resources**

5.6 Grant Funding Administration – Working Capital Assistance Grant – Environment, Planning & Economy; Internal Audit's review of Grant Funding Administration Processes revealed that control effectiveness was good in relation to one area (Early Years Grant Funding) but poor in respect of the Working Capital Assistance Grants administered by the Environment, Planning and Economy Directorate. That review identified that there was a lack of documentation to support decisions made and weaknesses in the post-award monitoring and debt management procedures. Some of the problems related to grants given by predecessor Councils. Action plans are now in place to address the weaknesses. Work is also planned to establish a single Council wide approach for the award, administration and monitoring of grants. **Responsible Officers: Corporate Director – Environment, Planning & Economy and Corporate Director - Resources**

5.7 Carbon Reduction Measures; The provisional findings of the 2011 Internal Audit review concluded that the overall control effectiveness is poor in relation to the carbon data collection exercise and authentication processes. This is of high importance and risk to the Council since the evidence pack to support the Council's data needs to be internally audited and submitted to the Environment Agency by the 29th July. This is the first time that Councils have been asked to submit such data and the Property Service has spent much time researching and evaluating the best method of capturing and recording this data. Should the data not be ready or not audited or an opinion on the accuracy of the data is not positive, the Authority will be exposed to a significant fine. An agreed action plan to address the weaknesses found is imminent following discussions held between the auditor and the Head of Service. Clearly significant work in this area has been undertaken. **Responsible Officer: Corporate Director - Resources**

5.8 Data Protection and Freedom of Information Request Arrangements; A consensual audit of Data Protection arrangements at the council was carried out in September 2010. This review was carried out following two incidents where personal data was compromised by Cornwall Council (CC) and was conducted by the Information Commissioners Office (ICO). Whilst the review found a number of positives overall it concluded that limited assurance could be given over the Authority's arrangements due to weaknesses in a number of areas including performance reporting and monitoring, and training and development. A detailed action plan for improvement has been prepared and was approved by the Corporate Leadership Team in January 2011. A follow up review of this area is currently being undertaken. **Responsible Officer: Assistant Chief Executive**

5.9 Employee Survey Results and Health, Safety and Wellbeing; The 2011 Employee Survey identified a range of positives and good progress in addressing weaknesses identified in the 2010 survey. The survey also indicated that we were in line or ahead in some areas, of Sector averages. Nonetheless the results and the latest data from the Health, Safety and Wellbeing area indicated a number of areas where attention is required if the Council is to continue its progress. A comprehensive response to the weaknesses identified in the survey is currently being rolled out by the Corporate and Directorate Leadership Teams and

progress against this will be subject to regular reporting in addition to Internal Audit reviewing in high risk areas. **Responsible Officers: Assistant Chief Executive**

6. Certification

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year with the exception of those areas identified in Section 5. We propose over the coming year to take steps to deliver the improvements identified as required in order to further enhance our governance arrangements.

This statement was adopted by the Audit Committee at its meeting 27 June 2011.

Councillor Alec Robertson
Leader of Cornwall Council

Kevin Lavery
Chief Executive
Date:

Other Versions of our Accounts

This document sets out Cornwall Council's final Statement of Accounts in the full detail and in the formats required by law and by the Code of Practice on Local Authority Accounting, which we follow. In order to provide a more easily digested version of the key information, we also produce a summary version. This is available from our website at www.cornwall.gov.uk

If you need either version produced in a different format, for example in large type or in a language other than English, please contact us using the details given below.

Members of the public have a statutory right to inspect the accounts before the audit is completed. For the 2010/11 accounts the inspection period is 27 June 2011 to 22 July 2011. These dates were advertised as required in the local press.

Feedback

We are constantly looking for ways to improve our publications and would welcome any feedback you may wish to provide. Please contact us with any comments or suggestions:

Email: treasurers@cornwall.gov.uk Telephone: 01872 323982